



**Congressional
Research Service**

Informing the legislative debate since 1914

Foreign Operations (House)/State, Foreign Operations, and Related Programs (Senate): FY2007 Appropriations

Updated August 10, 2007

Congressional Research Service

<https://crsreports.congress.gov>

RL33420

Summary

The annual Foreign Operations appropriations bill in the House, and the State, Foreign Operations measure in the Senate are the primary legislative vehicles through which Congress reviews the U.S. international affairs budgets and influences executive branch foreign policy making generally. They contain the largest shares—the House bill, about two-thirds; the Senate bill, about 97%—of total U.S. international affairs spending.

Due to subcommittee structural differences between the House and Senate in the 109th Congress, the House Appropriations Committee considered the Foreign Operations request separate from the State Department budget, with the latter falling under the jurisdiction of the Science, State, Justice, and Commerce (SSJC) Subcommittee. The Senate Appropriations Committee, however, combined Foreign Operations and State Department funding requests.

Funding for Foreign Operations and State Department/Broadcasting programs has been rising for six consecutive years, and amounts approved in FY2004 reached an unprecedented level compared with the past 40 years. Emergency supplementals enacted since the September 11, 2001 terrorist attacks to assist the front line states in the war on terrorism, Afghanistan and Iraq reconstruction, and for State Department operations and security upgrades have pushed spending upward.

Major issues confronting the 110th Congress in considering the Foreign Operations and State Department/Broadcasting appropriations request for FY2007 included:

- The overall size of the Foreign Operations request—a 14.4% increase over regular FY2006 Foreign Operations funds;
- Proposed cuts in spending on core bilateral development assistance and programs in Latin America;
- A 71% increase in appropriations for the Millennium Challenge Account; and
- Secretary Rice's Transformational Diplomacy initiative for the State Department.

On February 14, 2007, Congress completed work on the Foreign Operations Appropriations bill and the Science, State, Justice, and Commerce Appropriations bill as part of the FY2007 Continuing Resolution (H.J.Res. 20/ P.L. 109-289 as amended by P.L. 110-5). The bill provided \$32.6 billion in international affairs spending, of which \$9.56 billion was for State Department Operations, diplomacy and broadcasting, and \$23.0 billion for foreign assistance programs. This is the final update of this report.

Contents

Most Recent Developments.....	1
Introduction	2
Foreign Operations Overview	3
State Department/Broadcasting Overview	3
Related Foreign Policy Authorization Measures	4
Key Foreign Operations/State Department Funding Issues for FY2007.....	4
Status	5
Foreign Operations and State Department Policy Trends and Goals	6
Foreign Aid Policy Shifts	6
Impact of the September 11 Terrorist Attacks	7
Transformational Development and the Director of Foreign Assistance	8
Foreign Operations and State Department Funding Trends	9
Foreign Operations Appropriations Trends	9
Growing Importance of Supplementals	11
State Department/Broadcasting Appropriation Trends.....	12
Foreign Operations/State Department, the FY2007 Budget Resolution, and Section 302(b) Allocations	14
Foreign Operations/State Department Appropriations Request for FY2007.....	16
Foreign Operations Request Overview	16
Congressional Action: FY2007 Foreign Operations Appropriations.....	17
FY2007 Continuing Resolution	17
House Consideration	18
Senate Consideration.....	19
Fighting the War on Terrorism	20
Iraq Reconstruction and Stabilization Assistance	21
Egypt Assistance and Political Reforms	22
Core Development Assistance	23
Program Sector Distribution Across All Foreign Operations Accounts.....	25
Regional Allocations for FY2007: Latin America and Africa	29
The Millennium Challenge Account	31
Other Key Items.....	32
Leading Foreign Aid Recipients Proposed for FY2007.....	34
State Department Appropriations and Related Agencies Overview and Congressional Action.....	36
Background	36
FY2007 Funding Issues.....	36
Administration of Foreign Affairs.....	36
International Organizations and Conferences	38
International Commissions	38
Related Appropriations	39
International Broadcasting	40
FY2006 Emergency Supplemental.....	40
Congressional Action	41
For Additional Reading	44

Selected Websites	46
-------------------------	----

Figures

Figure 1. Foreign Operations Funding Trends.....	10
Figure 2. Supplemental Funding for Foreign Operations	12
Figure 3. State Department/Broadcasting Funding Trends	13
Figure 4. Budget Function 150.....	15

Tables

Table 1. Status of Foreign Operations/State Appropriations, FY2007	5
Table 2. Foreign Operations Appropriations, FY1996 to FY2007	10
Table 3. State Department/Broadcasting Appropriations, FY1996 to FY2007	14
Table 4. Foreign Operations Significant Increases FY2007	17
Table 5. Development Assistance Funding.....	25
Table 6. Economic Aid Allocations for All Foreign Operations Accounts, by Program Sector.....	26
Table 7. U.S. International HIV/AIDS, Tuberculosis, and Malaria Programs	27
Table 8. Basic Education Programs for Selected Regions and Recipients	29
Table 9. Latin America and Africa Economic Aid Allocations	30
Table 10. Leading Recipients of U.S. Foreign Aid.....	34
Table 11. State Department and Foreign Aid Funds in FY2006 Supplemental	41
Table 12. Foreign Operations: Detailed Account Funding Levels	48
Table 13. State Department/Broadcasting: Detailed Account Funding Levels	51

Contacts

Author Information.....	54
-------------------------	----

Most Recent Developments

On February 14, 2007, Congress completed work on the Foreign Operations Appropriations bill and the Science, State, Justice, and Commerce Appropriations bill as part of the FY2007 Continuing Resolution (H.J.Res. 20). The bill was signed into law on February 15 (P.L. 109-289 as amended by P.L. 110-5). The bill provided \$32.6 billion in international affairs spending, of which \$9.6 billion was for State Department Operations, diplomacy, and broadcasting, and \$23.0 billion for foreign assistance programs. Except for a pending FY2007 supplemental request for global war on terror costs, the Continuing Resolution finished the appropriations process for FY2007.¹

On September 29, 2006, Congress included a continuing resolution (CR) in the Defense Department appropriation (H.R. 5631/P.L. 109-289), signed into law the same day. The continuing resolution, Division B of the act, provided funding for the Department of State, related agencies, and foreign operations accounts through November 17, 2006. The funding level was to be apportioned based on the lesser of the FY2006 amount or the House-passed or Senate-passed FY2007 levels. Since the Senate had yet to pass its State Department/Foreign Operations appropriation, the CR spending level was calculated on the FY2006 levels, including the FY2006 supplementals for recurring need, or the FY2007 House-passed level, whichever was lower. Two additional CRs were passed that extended funding until February 15, 2007 (H.J.Res. 100 and H.J.Res. 102).

On June 29, 2006, the Senate Appropriations Committee approved the FY2007 State, Foreign Operations bill (S.Rept. 109-277), providing \$31.5 billion for both foreign assistance programs and State Department Operations, a decrease of \$2.4 billion from the President's request. The Committee consolidated some accounts, putting all health-related programs including HIV/AIDS funding in the Child Survival and Health account, and democracy promotion programs in the Democracy Fund account. The bill provided \$1.9 billion for the Millennium Challenge Corporation, a \$1.1 billion reduction from the request. It provided \$600 million for the Global Fund to Fight AIDS, TB, and Malaria, an increase of \$400 million over the request.

Also on June 29, 2006, the House passed H.R. 5672, the Science, State, Justice and Commerce Appropriations bill providing \$9.7 billion for the State Department and related programs, an amount \$218.5 million below the request.

On June 9, 2006, the House passed H.R. 5522 (H.Rept. 109-486), the FY2007 Foreign Operations Appropriations Act providing \$21.3 billion, a level that is \$597 million, or 2.8%, above the FY2006 spending measure, but \$2.387 billion, or 11.2%, below the President's \$23.69 billion request. The House largely accepted the recommendations of the House Appropriations Committee in its markup of the bill on May 25 with regard to overall funding levels. Several floor amendments were adopted that marked modest changes from what the Committee had recommended for some programs. H.R. 5522 included near full funding (\$3.43 billion) for HIV/AIDS, more than double the amount requested for the multilateral Global Fund to Fight AIDS, Tuberculosis, and Malaria, but reduced proposed spending for the President's Malaria Initiative by \$47 million. Overall, H.R. 5522 provided \$3.61 billion for the Foreign Operations portion of bilateral and multilateral HIV/AIDS, malaria, and tuberculosis programs, about \$55 million less than requested, but roughly \$820 million more than for FY2006.

¹ See CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes*, coordinated by Stephen Daggett, for more information.

The legislation created a new account the Trade Capacity Enhancement Fund consolidating resources from multiple accounts that support trade capacity building efforts. H.R. 5522 also proposed full or near-full funding for several fragile and post-conflict states of Afghanistan, Haiti, Liberia, and Sudan, and provided \$522 million for Iraq, about \$150 million less than requested. The measure included \$2 billion for the Millennium Challenge Corporation (MCC), \$1 billion less than requested. H.R. 5522 rescinded \$200 million in cash assistance to Egypt previously appropriated in FY2003 through FY2006.

Meanwhile, Congress approved the FY2006 emergency supplemental measure (H.R. 4939/P.L. 109-234) that includes \$2.4 billion in additional Foreign Operations and \$1.4 billion for State Department operations for this year.

Introduction

Amounts appropriated for Foreign Operations programs and for the Department of State and related agencies comprise about 96% of the total International Affairs budget and represent roughly 3.6% of discretionary budget authority under the jurisdiction of House and Senate Appropriations Committees.

At the beginning of the 109th Congress, House and Senate Committees on Appropriations reorganized their subcommittee structures. The House panel reduced the number of subcommittees to ten and reconfigured several of their jurisdictions. These changes, however, do not affect the previous organizations for Foreign Operations and State Department/Broadcasting programs. The jurisdiction of the House Foreign Operations Committee remains the same, while State Department, Broadcasting, and related activities continue to be funded within the re-titled Subcommittee on Science, State, Justice, Commerce, and Related Agencies (SSJC).

The Senate Appropriations Committee chose to restructure its subcommittees differently from the House by maintaining twelve sub-panels. The Senate configuration combined Foreign Operations with the State Department, Broadcasting, and related agencies, creating a re-titled Subcommittee on State, Foreign Operations and Related Programs. After passing separate and structurally different bills in 2005, House and Senate leaders agreed that for FY2006 funding measures, conference consideration would follow the House organization. Consequently, State Department funds were removed from the Senate-passed legislation (H.R. 3057) and incorporated into H.R. 2862, the SSJC measure.² For the 2nd session of the 109th Congress, the House and Senate Appropriations Committees are maintaining the same jurisdiction structure as last year—House Foreign Operations and Senate State/Foreign Operations.

This report covers funding and policy issues related to Foreign Operations, as addressed in the House and Senate, and State Department programs as debated in the Senate. The discussion and accompanying tables are designed to track the House Foreign Operations Appropriation measure, as well as the broader Senate State, Foreign Operations spending bill. To read about State Department/Broadcasting issues within the context of the House SSJC appropriation measure, see CRS Report RL33470, *Science, State, Justice, Commerce and Related Agencies (House)/Commerce, Justice, Science and Related Agencies (Senate): FY2007 Appropriations*, by Susan B. Epstein et al.

² H.R. 3057, enacted as P.L. 109-102, November 14, 2005; H.R. 2862, enacted as P.L. 109-108, November 22, 2005.

Foreign Operations Overview

Foreign Operations, the larger of the two components with a request of \$23.69 billion for FY2007, is the primary legislative vehicle through which Congress reviews and votes on the U.S. foreign assistance budget and influences major aspects of executive branch foreign policy-making generally.³

The legislation funds all U.S. bilateral development assistance programs, managed mostly by the U.S. Agency for International Development (USAID), together with several smaller independent foreign aid agencies, such as the Peace Corps and the Inter-American and African Development Foundations. Foreign Operations also includes resources for the two newest Administration initiatives: the Millennium Challenge Corporation (MCC) and the Global AIDS Initiative managed by the State Department's HIV/AIDS Coordinator. Most humanitarian aid activities are funded within Foreign Operations, including USAID's disaster/famine program and the State Department's refugee relief office. Foreign Operations includes separate accounts for aid programs in the former Soviet Union (also referred to as the Independent States account) and Central/Eastern Europe, activities that are jointly managed by USAID and the State Department.

Security assistance (economic and military aid) for countries of strategic importance to the United States is part of the Foreign Operations spending measure, programs primarily administered by the State Department, in conjunction with USAID and the Department of Defense. Foreign Operations appropriations also fund reconstruction programs in Afghanistan and Iraq. U.S. contributions to the World Bank and other regional multilateral development banks, managed by the Treasury Department, and voluntary payments to international organizations, handled by the State Department, are funded in the Foreign Operations bill. Finally, the legislation includes appropriations for three export promotion agencies: the Overseas Private Investment Corporation (OPIC), the Export-Import Bank, and the Trade and Development Agency.

State Department/Broadcasting Overview

Budgets for the Department of State, including embassy construction, embassy security, and public diplomacy, were within the State Department and related programs title of the Science, State, Justice, and Commerce (SSJC) appropriations in the House and the State, Foreign Operations measure in the Senate. This title, for which the Administration requested \$10.09 billion in FY2007, also funds the Broadcasting Board of Governors (BBG), and U.S. assessed contributions to United Nations (U.N.), International Organizations, and U.N. Peacekeeping. State Department and related programs further include funding for the Asia Foundation, the National Endowment for Democracy, and several other small educational and exchange organizations. This title also appropriates resources for international commissions, and under the Senate bill structure, it includes the U.S. Institute for Peace and several foreign policy-related commissions.

³ Although the Foreign Operations appropriations bill is often characterized as the "foreign aid" spending measure, it does not include funding for all foreign aid programs. Food aid, an international humanitarian aid program administered under the P.L. 480 program, is appropriated in the Agriculture appropriations bill. Foreign Operations also include funds for the Export-Import Bank, an activity that is regarded as a trade promotion program, rather than foreign aid. In recent years, funding for food aid has run somewhat higher than for the Eximbank, so Foreign Operations is slightly smaller than the official foreign aid budget. Nevertheless, throughout this report, the terms Foreign Operations and foreign aid are used interchangeably.

Related Foreign Policy Authorization Measures

Intertwined with both Foreign Operations and State Department appropriations are foreign policy authorization bills that, by law, Congress must pass in advance of spending by the State Department, USAID, or other agencies managing appropriated foreign policy appropriations. When Congress does not pass these authorization measures, which was the case in the 109th Congress, the appropriation bills must waive authorization requirements for foreign policy agencies and programs to continue to function.⁴ In some cases, this results in the attachment of foreign affairs authorizing provisions to Foreign Operations and State Department appropriation measures, adding increased importance to the appropriation bills in terms of both funding and setting policy priorities for U.S. foreign policy.

This has been the situation especially for Foreign Operations. For two decades, the Foreign Operations appropriations bill has been the principal legislative vehicle for congressional oversight of foreign affairs and for congressional involvement in foreign policy making. Congress has not enacted a comprehensive foreign aid authorization bill since 1985, leaving most foreign assistance programs without regular authorizations originating from the legislative oversight committees.⁵ As a result, Foreign Operations spending measures developed by the appropriations committees increasingly have expanded their scope beyond spending issues and played a major role in shaping, authorizing, and guiding both executive and congressional foreign aid and broader foreign policy initiatives. It has been largely through Foreign Operations appropriations that the United States has modified aid policy and resource allocation priorities since the end of the Cold War. The legislation has also been the channel through which the President has utilized foreign aid as a tool in the war on terrorism since the attacks of September 11, 2001, and launched Afghan and Iraqi reconstruction operations.

These appropriations measures have also been a key instrument by which Congress applies restrictions and conditions on the Administration's management of foreign assistance, actions that have frequently resulted in executive-legislative clashes over presidential prerogatives in foreign policy making.

Key Foreign Operations/State Department Funding Issues for FY2007

While appropriation bills funding foreign aid, State Department operations, embassy construction, public diplomacy, and contributions to international organizations can address the entire range of U.S. foreign policy issues, the FY2007 budget request posed several key matters that the Congress considered. For Foreign Operations programs, major issues included:

- The overall size of the request—a 14.3% increase over regular FY2006 Foreign Operations funds—and whether competing budget proposals for domestic programs and efforts to reduce the deficit will permit full funding of the \$23.69 billion recommendation.

⁴ For details on foreign relations authorization legislation from the 109th Congress, see CRS Report RL33000, *Foreign Relations Authorization, FY2006 and FY2007: An Overview*, by Susan B. Epstein et al.

⁵ Although Congress has not approved a broad, comprehensive foreign aid authorization, individual foreign aid components have been authorized, including legislation for the Millennium Challenge Account, the President's HIV/AIDS initiative, Afghanistan reconstruction, assistance for the former Soviet states (Freedom Support Act) and Eastern Europe (SEED Act), microenterprise programs, and the Peace Corps.

- Foreign aid in support of the global war on terror and whether the FY2007 proposal fully addresses this high national security priority. Congress was expected to focus on reconstruction and other aid in Iraq for which the Administration sought \$771 million. This was in addition to a \$2.4 billion FY2006 emergency supplemental proposal for Iraq and other purposes.
- The Millennium Challenge Account and whether progress on this new, innovative foreign aid program justified a 71% funding increase to \$3 billion in FY2007.
- Global health funding, especially amounts for HIV/AIDS, a new Presidential Malaria Initiative, and avian flu, and whether reductions for other health activities were warranted.
- “Core” bilateral development aid programs and whether proposed funding reductions for some activities were justified, especially given the large increases for MCA and HIV/AIDS programs.
- The creation of the new Director of Foreign Assistance within the State Department, announced in early 2006, and whether the change will result in better coordination and policy coherence of various U.S. foreign aid programs.

On State Department operations, key policy and funding issues included:

- Transformational Diplomacy: the FY2007 request included \$102.8 million to begin implementing Secretary Rice’s vision of U.S. diplomacy in the 21st Century, providing funds for repositioning American diplomats, creating regional public diplomacy centers, localizing small posts outside foreign capitals, training in new skills and languages, and fostering working relationships with the Defense Department and other federal agencies.
- Public Diplomacy: educational and cultural exchange funds increased in the FY2007 request by 11% and broadcasting operations by 4%.

Status

Table 1. Status of Foreign Operations/State Appropriations, FY2007

	Cmte. Markup		House Passage	Senate Passage	Conf. Report Approval		Public Law
	House	Senate			House	Senate	
H.R. 5522 Foreign Operations	6/5 H.Rept. 109-486	6/29 S.Rept. 109-277	6/9	—	—	—	P.L. 110-5
H.R. 5672 Science, State	6/22 H.Rept. 109-520	n/a	6/29	—	—	—	P.L. 110-5

Note: House and Senate bills did not contain the same program structure, as discussed above. In the House, the State Department was to be funded through the Science, State, Justice and Commerce Appropriations bill, while in the Senate, the State Department was to be funded through the Foreign Operations Appropriations bill. The 109th Congress deferred final action on most appropriations bills until the 110th Congress, passing a series of continuing resolutions that extended funding until February 15, 2007. The final CR, H.J.Res 20 was signed into law on February 15, 2007 (P.L. 109-289 as amended by P.L. 110-5).

Foreign Operations and State Department Policy Trends and Goals

Arguably, from the end of World War II until the early 1990s, the underlying rationale for foreign aid and diplomatic efforts was the defeat of communism. U.S. aid programs were designed to promote economic development and policy reforms, in large part to create stability and reduce the attraction to communist ideology and to block Soviet diplomatic links and military advances. Other security assistance activities provided defense equipment and training to American allies and friendly states, some of which faced Soviet or Soviet-proxy threats. Aid programs also were used to help the United States gain access to military bases around the world in order to forward deploy American armed forces. Diplomacy emphasized strengthening alliances and building coalitions to isolate and confront the Soviet threat.

Foreign aid and diplomatic programs also supported a number of secondary U.S. policy goals in the developing world, such as reducing high rates of population growth, promoting wider access to health care, expanding the availability of basic education, advancing U.S. trade interests, and protecting the environment. If these secondary goals were also achieved, U.S. aid programs could be promoted as delivering “more bang for the buck.”

With the end of the Cold War, the focus of American foreign policy shifted to support more extensively other U.S. national interests, including stopping the proliferation of weapons of mass destruction, curbing the production and trafficking of illegal drugs, expanding peace efforts in the Middle East, seeking solutions to conflicts around the globe, protecting human rights and religious freedom, and countering trafficking in persons.

Foreign Aid Policy Shifts

Foreign assistance, in particular, underwent significant changes during the 1990s. The United States launched expansive aid programs in Russia and many eastern-bloc states. While these and other new elements of American foreign aid emerged, no broad consensus developed over what the new overarching rationale for U.S. aid programs should be. Throughout the 1990s, policymakers and Congress explored a number of alternative strategic frameworks around which to construct a revised foreign assistance policy rationale. Not only did a policy consensus fail to emerge, but repeated efforts to overhaul the largely Cold War-based foreign aid legislation also did not succeed.

During this period, the Clinton Administration emphasized the promotion of “sustainable development” as the new, post-Cold War, main strategy of those parts of the foreign aid program under the aegis of USAID. Economic assistance supported six inter-related goals: achievement of broad-based economic growth; development of democratic systems; stabilization of world population and protection of human health; sustainable management of the environment; building human capacity through education and training; and meeting humanitarian needs.

Early in the Bush Administration these goals were modified around three “strategic pillars” of: (1) economic growth, agriculture, and trade; (2) global health; and (3) democracy, conflict prevention, and humanitarian assistance. More recently, a USAID White Paper on American foreign aid identified five “core” operational goals of U.S. foreign assistance:

- Promoting transformational development, especially in the areas of governance, institutional capacity, and economic restructuring;
- Strengthening fragile states;

- Providing humanitarian assistance;
- Supporting U.S. geostrategic interests, particularly in countries such as Iraq, Afghanistan, Pakistan, Jordan, Egypt, and Israel; and
- Mitigating global and international ills, including HIV/AIDS.⁶

Impact of the September 11 Terrorist Attacks

The most defining change in U.S. foreign policy, however, came following the September 11, 2001, terrorist attacks in the United States. Since 9/11, American foreign aid and diplomatic efforts have taken on a more strategic sense of importance and have been cast frequently in terms of contributing to the war on terrorism. In September 2002, President Bush released his Administration's National Security Strategy that established global development, for the first time, as the third "pillar" of U.S. national security, along with defense and diplomacy.⁷ Also in 2002, executive branch foreign assistance budget justifications began to underscore the war on terrorism as the top foreign aid priority, highlighting amounts of U.S. assistance to 28 "front-line" states in the terrorism war—countries that cooperated with the United States in the war on terrorism or faced terrorist threats themselves.⁸ The substantial reconstruction programs in Afghanistan and Iraq—which totaled more in FY2004 than the combined budgets of all other aid programs—are also part of the emphasis on using foreign aid to combat terrorism. State Department efforts focused extensively on building coalitions to assist in the war on terror and finding new and more effective ways of presenting American views and culture through public diplomacy.

At roughly the same time that fighting terrorism became the leading concern of U.S. foreign policy, the Bush Administration announced other significant initiatives that have defined and strengthened two additional key foreign assistance goals: promoting economic growth and reducing poverty, and combating the global HIV/AIDS pandemic. The Millennium Challenge Corporation (MCC) is a new aid delivery concept, proposed by President Bush in March 2002 and authorized by Congress and established in early 2004 by P.L. 108-199, that is intended to concentrate significantly higher amounts of U.S. resources in a few low- and low-middle income countries that have demonstrated a strong commitment to political, economic, and social reforms. If fully funded to its proposed level, \$5 billion will be available annually to support these "best development performers" in order to accelerate economic growth and lower the number of people living in absolute poverty.

Addressing global health problems has also become a core U.S. aid objective in recent years. Congress created a separate appropriation account for Child Survival and Health activities in the mid-1990s and increased funding for international HIV/AIDS and other infectious disease programs. President Bush's announcement at his 2003 State of the Union message of a five-year, \$15 billion effort to combat AIDS, malaria, and tuberculosis has added greater emphasis to this primary foreign assistance objective. Subsequently, the President launched a new initiative in

⁶ U.S. Agency for International Development. *U.S. Foreign Aid: Meeting the Challenges of the Twenty-First Century*. January 2004.

⁷ Development was again underscored in the Administration's re-statement of the National Security Strategy released on March 16, 2006.

⁸ According to the State Department, these "front-line" states included Afghanistan, Algeria, Armenia, Azerbaijan, Bangladesh, Colombia, Djibouti, Egypt, Ethiopia, Georgia, Hungary, India, Indonesia, Jordan, Kazakhstan, Kenya, Oman, Pakistan, Philippines, Poland, Russia, Saudi Arabia, Tajikistan, Tunisia, Turkey, Turkmenistan, Uzbekistan, and Yemen.

mid-2005 aimed specifically at malaria (President's Malaria Initiative, PMI), pledging \$1.2 billion in more resources through 2010.

Beyond these recently emerging foreign policy goals, other prominent objectives that have continued since the early 1990s have included supporting peace in the Middle East through assistance to Israel, Egypt, Jordan, and the Palestinians; fostering democratization and stability for countries in crisis, such as Bosnia, Haiti, Rwanda, Kosovo, Liberia, and Sudan; facilitating democratization and free market economies in Central Europe and the former Soviet Union; suppressing international narcotics production and trafficking through assistance to Colombia and other Andean drug-producing countries; and alleviating famine and mitigating refugee situations in places throughout the world.

Transformational Development and the Director of Foreign Assistance⁹

A new dimension in 2006 to the annual congressional debate on Foreign Operations was the Administration's "transformational" development agenda and the creation of the position at the State Department of Director of Foreign Assistance. Although not a funding issue, the realignment of responsibilities at the Department and USAID could have a direct impact on programs funded within the Foreign Operations spending measure.

The Director of Foreign Assistance (DFA), who concurrently holds the position of USAID Administrator, maintains authority over foreign assistance programs managed by USAID and the State Department. In addition, the DFA is to "provide guidance" for foreign assistance delivered through other government agencies, such as the Millennium Challenge Corporation (MCC). Randall Tobias, previously the State Department's Global AIDS Coordinator, was confirmed by the Senate on March 29, 2006, as the new USAID Administrator and also serves as the Director of Foreign Assistance.

The DFA is charged with two missions: to develop a coordinated U.S. foreign assistance strategy; and to direct a transformation of foreign assistance to achieve the President's Transformational Development Goals.¹⁰ As both the USAID Administrator and the DFA, he will serve at the level equivalent to Deputy Secretary, reporting directly to the Secretary of State. While USAID is, and remains, an independent agency under the restructuring, the USAID Administrator reports to, and serves under, the foreign policy guidance of the Secretary of State.

The degree to which the DFA will be able to guide and coordinate those entities falling outside the State Department and USAID has not been fully articulated and is likely to be one of the most difficult challenges the new Director faces. Ambassador Tobias said at his confirmation hearing that he hoped to put in place a "formal process" for achieving the DFA's mandate of coordinating across the government.¹¹ Similar approaches have been tried in the past, but with limited impact. An entity established in 1973 by Section 640B of the Foreign Assistance Act of 1961 (FAA)—the Development Coordinating Council (DCC)—was intended to coordinate government-wide

⁹ For further discussion on the Director of Foreign Assistance, see CRS Report RL33491, *Restructuring U.S. Foreign Aid: The Role of the Director of Foreign Assistance in Transformational Development*, by Connie Veillette.

¹⁰ U.S. Department of State Fact Sheet: New Direction for U.S. Foreign Assistance, January 19, 2006.

¹¹ See exchange between Senator Lugar and Ambassador Tobias at the Senate Foreign Relations Committee hearing on March 7, 2006.

foreign assistance activities. The DCC, however, rarely met and, according to USAID, exists today “only as an unimplemented provision in the FAA.”¹²

As with any restructuring initiative, the creation of the DFA raises a number of questions with regard to implementation. Many applaud the restructuring initiative as marking the beginning of what they perceive as a long overdue effort to reform a cumbersome and fragmented U.S. foreign assistance program. Some supporters of the plan, however, believe it does not go far enough and that the Administration is missing an opportunity for launching a much bolder, and necessary reform effort. Some critics have expressed strong concern that the new initiative may lead to a greater degree of aid politicization and that USAID will be further marginalized as a key decision maker of U.S. development policy. Congress is not required to legislate the restructuring plan, although key congressional committees are likely to maintain close oversight as the plan moves forward.

Foreign Operations and State Department Funding Trends

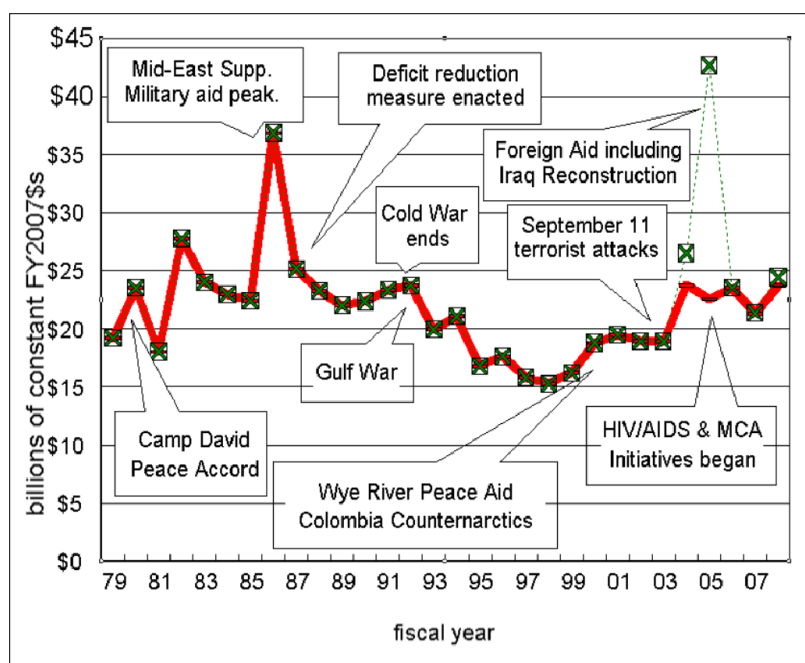
Foreign Operations Appropriations Trends

As shown in **Figure 1**, Foreign Operations funding levels, expressed in real terms taking into account the effects of inflation, have fluctuated widely over the past 30 years.¹³ After peaking at over \$35 billion in FY1985 (constant FY2007 dollars), Foreign Operations appropriations began a period of decline to a low-point of \$15.3 billion in FY1997. While funding for regular, continuing foreign aid programs began to rise modestly after FY1997, supplemental spending for special activities, such as Central American hurricane relief (FY1999), Kosovo emergency assistance (FY1999), Wye River/Middle East peace accord support (FY2000), a counternarcotics initiative in Colombia and the Andean region (FY2000), aid to the front line states in the war on terrorism and Iraq-war related assistance (FY2003-FY2005), has been chiefly responsible for the growth in foreign aid appropriations during the past decade.

¹² See “USAID History,” found at http://www.usaid.gov/about_usaid/usaidhist.html.

¹³ Some of these swings in budget levels are not the result of policy decisions, but are due to technical budget accounting changes involving how Congress scores various programs. The large increase in FY1981, for example, did not represent higher funding levels, but rather the fact that export credit programs began to be counted as appropriations rather than as “off-budget” items. Part of the substantial rise in spending in FY1985 came as a result of the requirement to appropriate the full amount of military aid loans rather than only the partial appropriation required in the past. Beginning in FY1992, Congress changed how all Federal credit programs are scored in appropriation bills, which further altered the scoring of foreign aid loans funded in Foreign Operations. All of these factors make it very difficult to present a precise and consistent data trend line in Foreign Operations funding levels. Nevertheless, the data shown here can be regarded as illustrative of general trends in congressional decisions regarding Foreign Operations appropriations over the past 30 years.

Figure I. Foreign Operations Funding Trends



Although Foreign Operations appropriations had been rising for five consecutive years, combined amounts approved for FY2003—FY2005, reached unprecedented levels compared with funding for similar three-year periods over the past four decades. Substantial supplementals of \$7.5 billion, \$21.2 billion, and \$2.5 billion, respectively, for assistance to the front line states in the war on terrorism and Afghanistan and Iraq reconstruction, pushed spending upward. Foreign Operations spending for FY2004—\$41 billion (constant FY2007 dollars)—was the highest level, in real terms, since the early 1960s. The enacted level for FY2006 of \$20.8 billion (in constant terms), while less than in each of the three previous years, is the largest Foreign Operations appropriations, in real terms, in all other years in over a decade. Moreover, the passage of an emergency supplemental containing \$2.4 billion in Foreign Operations funding raises the total to \$23.2 billion.¹⁴

Table 2. Foreign Operations Appropriations, FY1996 to FY2007
(discretionary budget authority in billions of current and constant dollars)

	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
current \$s	12.46	12.27	13.15	15.44	16.41	16.31	16.54	23.67	39.05	22.27	20.83	23.04
constant FY07 \$s	15.85	15.32	16.26	18.83	19.53	18.97	18.94	26.55	42.70	23.59	21.26	23.04

Note: FY1999 excludes \$17.861 billion for the IMF. FY2006 includes the regular appropriation, plus emergency supplementals, rescissions, and a 1% across-the-board reduction provided in P.L. 109-148, the Defense Appropriation for FY2006. FY2006 does not include the \$2.3 billion of foreign assistance in the emergency supplemental (H.R. 4939).

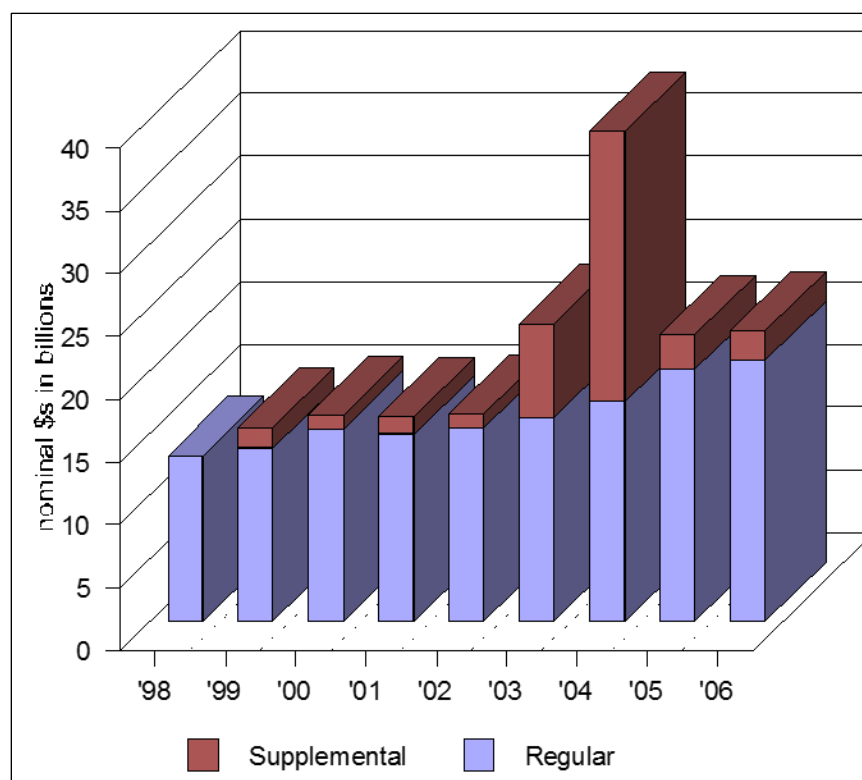
¹⁴ For a more detailed discussion of foreign aid and State Department spending trends over the past three decades, see CRS Report RL33262, *Foreign Policy Budget Trends: A Thirty-Year Review*, by Larry Nowels.

Growing Importance of Supplementals

Supplemental resources for Foreign Operations programs, which in FY2004 exceeded regular Foreign Operations funding, have become a significant channel of funding for U.S. international activities, especially those related to reconstruction efforts in Iraq and Afghanistan. Due to the nature of rapidly changing overseas events and the emergence of unanticipated contingencies to which it is in the U.S. national interest to respond, it is not surprising that foreign aid and defense resources from time to time are the major reason for considering and approving emergency supplemental spending outside the regular appropriation cycle. Supplementals have provided resources for such major foreign policy events as the Camp David accords (FY1979), Central America conflicts (FY1983), Africa famine and a Middle East economic downturn (FY1985), Panama and Nicaragua government transitions (FY1990), the Gulf War (FY1991), and Bosnia relief and reconstruction (FY1996).

But after a period of only one significant foreign aid supplemental in eight years, beginning in FY1999 Congress approved Foreign Operations supplemental appropriations exceeding \$1 billion in each of the past seven years. Relief for Central American victims of Hurricane Mitch, Kosovo refugees, and victims of the embassy bombings in Kenya and Tanzania in FY1999 totaled \$1.6 billion, and was followed in FY2000 by a \$1.1 billion supplemental, largely to fund the President's new counternarcotics initiative in Colombia. As part of a \$40 billion emergency supplemental to fight terrorism enacted in September 2001, President Bush and Congress allocated \$1.4 billion for foreign aid activities in FY2001 and FY2002. Another \$1.15 billion supplemental cleared Congress in FY2002 to augment Afghan reconstruction efforts and assist other front-line states in the war on terrorism.

Figure 2. Supplemental Funding for Foreign Operations



Until FY2003, these additional resources accounted for between 7% and 11% of total Foreign Operations spending. The \$7.5 billion Iraq war and reconstruction supplemental for FY2003, however, went well beyond these standards, representing nearly one-third of the FY2003 Foreign Operations budget, and was surpassed, as noted above, only by FY2004 supplemental appropriations, which more than doubled the Foreign Operations budget for the year. Congress approved another large Foreign Operations supplemental for FY2005—\$2.53 billion—largely for additional Afghan reconstruction, tsunami disaster relief, and additional aid for Sudan—representing about 11% of total Foreign Operations appropriations for that year. Again in June 2006, Congress approved a supplemental providing \$2.387 billion in foreign assistance for Iraq, Afghanistan, Sudan, and Darfur, and other global emergencies, representing 10% of the total.

State Department/Broadcasting Appropriation Trends

Over the past nearly three decades, the funding level for the State Department and international broadcasting has reflected generally an upward trend. Although there were a few brief periods of declining resources, appropriations continually climbed to the point where the FY2007 budget request was more than double what was requested in the 1978-1984 time period.

Many of the spikes in funding over the years were related to overseas security issues. Since the Vietnam War, for example, American embassies increasingly have been the targets of hostile action. Terrorist attacks grew in number in the 1970s, the decade ending with the taking of American hostages in Tehran in 1979. Similarly, in the early 1980s, the State Department recognized a greater need to tighten security after the 1983 bombing of U.S. Marine barracks in Beirut, Lebanon, and the bombing of the U.S. Embassy annex in Beirut in 1984. In 1985, a report by the Advisory Panel on Overseas Security, headed by Admiral Bobby Inman, proposed new standards for security measures at U.S. facilities around the world. In 1986, Congress provided an

embassy supplemental appropriation to meet those standards. Again in August 1998, another major attack occurred on U.S. embassies in Kenya and Tanzania. Later that year, Congress passed an emergency supplemental that sharply increased total State Department spending. And, as noted above, following the September 11, 2001 terrorist attacks, several emergency supplemental appropriations raised State Department funding levels to an all-time high by FY2004.

From the outset of the George W. Bush Administration, then-Secretary of State Colin Powell strongly asserted within the executive branch and in testimony to Congress that State Department resource needs had been neglected during the previous decade and that significant increases were needed to improve technology and staffing challenges. The Administration of Foreign Affairs portion of State Department spending, the area of the budget out of which personnel and technology costs are paid, has risen from \$4 billion FY2000 to about \$6.4 billion in FY2006, a 60% increase, in real terms. The FY2006 emergency supplemental (H.R. 4939/P.L. 109-234) provides an additional \$1.4 billion to the existing Administration of Foreign Affairs funding level for a total of \$7.8 billion. The State Department requested \$6.8 billion for FY2007.

Figure 3. State Department/Broadcasting Funding Trends

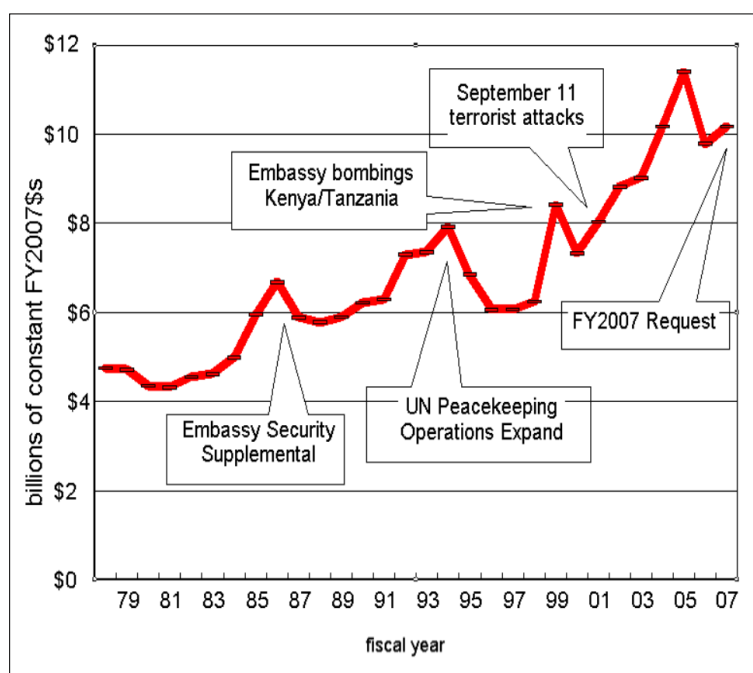


Table 3. State Department/Broadcasting Appropriations, FY1996 to FY2007
(discretionary budget authority in billions of current and constant dollars)

	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
current \$s	4.77	4.87	5.06	6.91	6.16	6.91	7.71	8.05	9.29	10.78	9.43	10.05
constant FY07 \$s	6.06	6.07	6.24	8.41	7.33	8.03	8.82	9.02	10.17	11.40	9.65	10.05

Source: CRS.

Data Notes

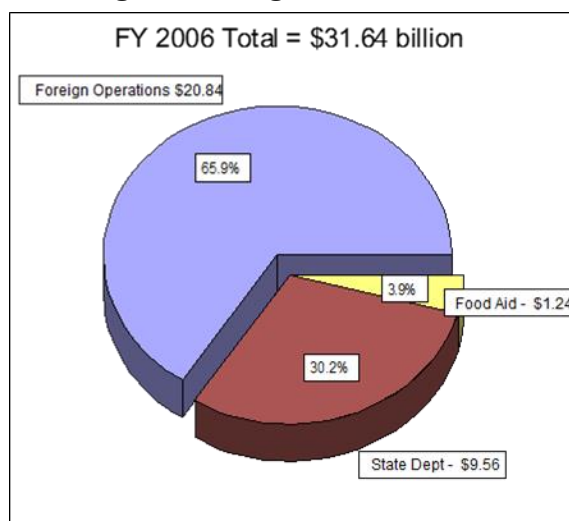
Unless otherwise indicated, this report expresses dollar amounts in terms of *discretionary budget authority*. The Foreign Operations and State Department Appropriation bills include two *mandatory* retirement programs for USAID and State Department officers that are not included in figures and tables. The two retirement funds received \$41.7 million and \$131.7 million, respectively, for FY2006.

In addition, funding levels and trends discussed in this report exclude U.S. contributions to the International Monetary Fund (IMF), which are enacted periodically in Foreign Operations bills. Congress approved \$17.9 billion for the IMF in FY1999, the most recent appropriation and the first since FY1993. Including these large, infrequent, and uniquely “scored” IMF appropriations would distort a general analysis of Foreign Operations funding trends. Although Congress provides new budget authority through appropriations for the full amount of U.S. participation, the transaction is considered an exchange of assets between the United States and the IMF, and results in no outlays from the U.S. Treasury. In short, the appropriations are off-set by the creation of a U.S. counterpart claim on the IMF that is liquid and interest bearing.

Foreign Operations/State Department, the FY2007 Budget Resolution, and Section 302(b) Allocations

Usually, Appropriations Committees begin markups of their spending bills only after Congress has adopted a budget resolution and funds have been distributed to the Appropriations panels under what is referred to as the Section 302(a) allocation process. Section 302(a) is the pertinent authority in the Congressional Budget Act. Following this, House and Senate Appropriations Committees separately decide how to allot the total amount available among their subcommittees, staying within the functional guidelines set in the budget resolution. This second step is referred to as the Section 302(b) allocation. Foreign Operations and State Department funds fall within the International Affairs budget function (Function 150), representing in most years about 67% and 30%, respectively, of the function total. The other major component of Function 150—international food assistance—is funded in the Agriculture spending measure.

Figure 4. Budget Function 150



How much International Affairs money to allocate among each of the subcommittees, and how to distribute the funds among the numerous programs, are decisions exclusively reserved for the Appropriations Committees. Nevertheless, overall ceilings set in the budget resolution can have significant implications for budget limitations within which the House and Senate subcommittees will operate when they meet to mark up their annual appropriations bills.

On March 16, 2006, the Senate approved a budget resolution for FY2007 (S.Con.Res. 83) that reduced to \$33.5 billion the amount of discretionary budget authority for International Affairs funding. This fell \$1.6 billion, or 4.6%, less than the President's request. The House measure (H.Con.Res. 376), which passed on May 17, cut Function 150 deeper than the Senate. The \$33 billion included in the House measure was \$2.1 billion, or nearly 6%, below the Administration's proposal.

House and Senate Appropriations Committees, however, can choose to allocate the final amount set out in the budget resolution among the various subcommittees with jurisdiction over the International Affairs budget proportionally different than what the President proposed or to alter the overall amount for foreign policy activities. Depending on other competing priorities, the final allocations can diverge significantly from those assumed in the budget resolution.

Nevertheless, the size of the reduction compared with the executive request approved in House and Senate budget resolutions creates a challenging budget picture for appropriation subcommittees with jurisdiction over Foreign Operations and State Department/Broadcasting programs. This was evident by the House Appropriations Committee approval on May 10 of a \$21.3 billion allocation for Foreign Operations. Although 2.8% above regular Foreign Operations appropriations for FY2006, the allocation was 11% below the FY2007 request, by far the largest percentage cut made by the House panel for any of its 11 Section 302(b) allocations. The Committee decided to reallocate \$2.39 billion from Foreign Operations and \$4.8 billion from Defense and Military Quality of Life subcommittees in order to increase spending levels in several domestic appropriations bills, most prominently for Agriculture, Homeland Security, and Labor, HHS, Education.

Foreign Operations/State Department Appropriations Request for FY2007

On February 6, 2006, the President submitted his FY2007 budget request, including \$23.69 billion for Foreign Operations and \$10.09 billion for State Department and Related Agencies appropriations (amounts are adjusted to reflect CBO re-estimates of the request). These amounts were 14.3% and 6%, respectively, higher than FY2006 amounts enacted in regular, non-supplemental appropriations. The combined FY2007 Foreign Operations/State Department request of \$33.8 billion was 11.7% larger than regular FY2006 funding. However, the FY2006 emergency supplemental (P.L. 109-234) provided an additional \$4.3 billion for State Department and Foreign Operations, resulting in an FY2006 total of more than \$34 billion. This brought the FY2006 enacted level into near parity with the FY2007 request. With the pending FY2007 supplemental (H.R. 1591/S. 965), the FY2007 level could top that of last year.

Foreign Operations Request Overview

The 14.3% increase over regular FY2006 appropriations proposed for Foreign Operations was one of the largest additions in the President's request for discretionary spending in FY2007. By comparison, the Administration sought increases for two other high-priority budget areas—defense and homeland security—of about 6% and 3%, respectively.

Despite the large overall increase for Foreign Operations, much of the added funding was concentrated in a few areas. The FY2007 budget continued to highlight foreign aid in support of the war on terrorism and Iraq reconstruction as the highest priorities, with nearly \$7 billion proposed. As shown in **Table 4**, increases for Iraq and Afghanistan were especially sharp.¹⁵ Resources continued to grow for the President's two cornerstone foreign aid initiatives—the Millennium Challenge Account (MCA) and the President's Emergency Plan for AIDS Relief (PEPFAR). The \$3 billion MCA request was 71% higher than in FY2006, while Foreign Operations funds for PEPFAR rose from \$2.79 billion in FY2006 to \$3.67 billion in the FY2007 request. (Additional PEPFAR funds were proposed in the Labor/HHS appropriation measure, bringing the total FY2007 PEPFAR request to \$4.26 billion.)

After failing to win congressional approval the past four years for a contingency fund that could be used to respond to unanticipated foreign policy emergencies, the White House again proposed \$75 million for a Conflict Response Fund. Funding for debt reduction programs would nearly triple—to \$183 million—largely to cancel debt owed by the Democratic Republic of Congo. Peacekeeping funds for non-U.N. sponsored operations would grow by 16%, mainly due to additional resources for African Union peacekeeping activities in the Darfur region of Sudan.¹⁶

¹⁵ The Administration requested \$1.6 billion, and Congress approved \$1.59 billion, in aid for Iraq in the FY2006 emergency supplemental measure (H.R. 4939/P.L. 109-234).

¹⁶ The FY2006 emergency supplemental request included \$123 million more for African Union operations in Darfur, an amount that Congress increased to \$173 million in the conference agreement (H.R. 4939/P.L. 109-234).

Table 4. Foreign Operations Significant Increases FY2007

(in billions of current \$s)

	FY2006 Regular^a	FY2007 Request	FY2007 +/- Y2006
Foreign Operations Total	\$20.727	\$23.687	14.3%
Significant increases for FY2007:			
-Afghanistan	\$0.931	\$1.124	20.7%
-Iraq	\$0.061	\$0.771	1163.9%
-Anti-Terrorism programs	\$0.136	\$0.157	15.4%
-Millennium Challenge Account	\$1.752	\$3.000	71.2%
-Emergency Plan for AIDS Relief	\$2.790	\$3.665	31.4%
-Conflict Response Fund	—	\$0.075	—
-Debt Reduction	\$0.064	\$0.183	185.9%
-Peacekeeping Operations	\$0.173	\$0.201	16.2%
Significant increases for FY2007, Total	\$5.907	\$9.176	55.3%
Remaining Foreign Operations Programs	\$14.820	\$14.511	-2.1%

a. FY2006 Regular excludes emergency supplemental funding.

Combined, funding for these major elements of the Foreign Operations request totaled \$9.2 billion, or 55% higher than for FY2006. By contrast, the \$14.8 billion proposed for all other Foreign Operations activities was 2.1% less than FY2006 regular appropriations amounts.

Congressional Action: FY2007 Foreign Operations Appropriations

Each of the high-priority items in the FY2007 Foreign Operations budget request discussed above, and other issues of concern, are discussed below, including congressional action.

FY2007 Continuing Resolution

On February 14, 2007, Congress completed work on the Foreign Operations Appropriations bill and the Science, State, Justice, and Commerce Appropriations bill as part of the FY2007 Continuing Resolution (H.J.Res. 20). The bill was signed into law on February 15 (P.L. 109-289 as amended by P.L. 110-5). The bill provided \$32.6 billion in international affairs spending, of which \$9.56 billion was for State Department Operations, diplomacy and broadcasting, and \$23.0 billion for foreign assistance programs. Except for a pending FY2007 supplemental request for global war on terror costs, the Continuing Resolution finished the appropriations process for FY2007.

Prior to the final CR, agencies were operating under a series of short-term CRs that set spending at the lowest of the FY2006, House-passed, or Senate-passed levels. The long-term CR used FY2006 as its base with adjustments for some accounts. Consequently, FY2007 foreign operations spending levels are only slightly higher than FY2006. Accounts that received substantial increases over FY2006 include the Global HIV/AIDS Initiative (GHAI), the Child Survival and Health Account, and Peacekeeping Operations. Other accounts that are funded at the

FY2006 level represent deep cuts from the requested amount, including the Millennium Challenge Corporation, debt restructuring, Economic Support Fund, and International Narcotics Control and Law Enforcement. (See tables at end of report for account funding levels.) Many of the innovations in the House-passed Foreign Operations Bill, such as the creation of a Trade Capacity Enhancement Fund, and the Senate Committee reported bill, such as the consolidation of health programs in the CSH account and democracy programs in the Democracy Fund, were not maintained in the final CR.

House Consideration

On June 9, 2006, the House passed H.R. 5522 (H.Rept. 109-486), the FY2007 Foreign Operations Appropriations Act providing \$21.3 billion, a level that was \$597 million, or 2.8%, above the FY2006 spending measure, but \$2.387 billion, or 11.2%, below the President's \$23.69 billion request. The House largely accepted the recommendations of the House Appropriations Committee in its markup of the bill on May 25 with regard to overall funding levels. Several floor amendments were adopted that marked modest changes from what the Committee had recommended for some programs.

H.R. 5522 included near full funding for HIV/AIDS, more than doubled the amount requested for the multilateral Global Fund to Fight AIDS, Tuberculosis, and Malaria, but reduced proposed spending for the President's Malaria Initiative by \$47 million. Overall, H.R. 5522 provided \$3.61 billion for the Foreign Operations portion of bilateral and multilateral HIV/AIDS, malaria, and tuberculosis programs, about \$55 million less than requested, but roughly \$820 million more than for FY2006.

H.R. 5522 also proposed full or near-full funding for several fragile and post-conflict states of Afghanistan, Haiti, Liberia, and Sudan, and provided \$522 million for Iraq, about \$150 million less than requested. The measure included \$2 billion for the Millennium Challenge Corporation (MCC), \$1 billion less than requested. H.R. 5522 rescinded \$200 million in cash assistance to Egypt previously appropriated, FY2003-FY2006, amid concerns that the Egyptian government had not made sufficient progress in implementing certain financial sector reforms.

During House floor debate, a number of amendments were adopted:

- a Lynch amendment to increase by \$5 million funding for the NADR account for programs to address improvised explosive devices (IEDs) and land mines. The increase was offset by a reduction in administrative expenses for the Export-Import Bank;
- a Millender-McDonald amendment to increase ESF funding by \$2 million for human trafficking programs. The increase was offset by a reduction split between administrative expenses for the Export-Import Bank and the Overseas Private Investment Corporation;
- a Hooley amendment to designate \$10 million in counternarcotics assistance to Mexico for methamphetamine programs;
- a McHenry amendment that takes away the State Department's authority to issue waivers to foreign countries that refuse to extradite individuals accused in the United States of killing a law enforcement officer;
- a Deal amendment that takes away the State Department's authority to issue waivers to foreign countries that refuse to extradite individuals accused of a crime for which the maximum penalty is life imprisonment;

- a Terry amendment to prohibit funds to organizations that contravene U.S. law with regard to trademarks and intellectual property;
- a Brown-Waite amendment that reduced counternarcotics funds to Mexico from \$40 million to \$39 million;
- a Weiner amendment that prohibits funds to Saudi Arabia;
- a Sherrod Brown amendment that increased Child Survival and Health funds for TB by \$10 million. The increase was offset by a \$5 million reduction in USAID's operating expenses and \$5 million from the Asian Development Fund.

The House defeated a number of amendments, including:

- a Blumenauer amendment transfer \$250 million in Foreign Military Financing to Development Assistance;
- an Obey amendment to cut ESF to Egypt by \$100 million, and transfer \$50 million to the Global HIV/AIDS initiative, and \$50 million to International Disaster and Famine Assistance;
- a McGovern amendment to transfer \$30 million from the ACI account to the Emergency Refugee and Migration Assistance account;
- a McGovern amendment to prohibit funding for programs at the Western Hemisphere Institute for Security Cooperation;
- a Steve King amendment to withhold ESF funds for Mexico;
- a Kucinich amendment to prohibit MCC funds for El Salvador to be used to support the Northern Transnational Highway;
- a Sanders amendment that prohibited U.S. funds to the Export-Import Bank to support long-term loans or loan guarantees for oil and gas field development;
- a Hefley amendment to reduce funding in the bill by 1%.

The House-passed bill contained a number of differences with regard to the priorities of the Administration's request. As articulated in the President's Statement of Administration Policy, the House took several actions opposed by the White House. The Administration believed the overall \$2.4 billion cut "would curtail progress on the Administration's National Security Strategy..." In addition, the bill created a new account—the Trade Capacity Enhancement Fund—with an appropriation of \$522 million, and created a new position within USAID to administer it. The Administration expressed concern that the provision created an additional administrative layer at the same time as the new Director of Foreign Assistance is working to integrate and coordinate assistance programs. Other objections are included in discussions on topics that follow.

Senate Consideration

The Senate Appropriations Committee approved its version of the State/Foreign Operations bill on June 29 (S.Rept. 109-277). The Senate bill provided \$21.5 billion for foreign aid programs, and \$9.7 billion for State Department and related programs. While the overall funding levels were similar to the request, the Senate bill consolidated a number of programs spread among various accounts. The Child Survival and Health account included funds for HIV/AIDS programs, comprising \$1.9 billion and \$2.89 billion respectively. The Senate allocated \$600 million for the Global AIDS Fund, a significant increase over the request of \$200 million and the House recommendation of \$445.5 million. The Senate bill also consolidated funds from the Economic Support Fund, Development Assistance, SEED and FSA into a Democracy Fund that totals \$1.064 billion. Unlike the House, the Senate bill did not provide for a Trade Capacity

Enhancement Fund, but recommended \$283 million for trade capacity building and other economic growth programs. The Senate bill provided \$100 million in FMF funds for a Combatant Commanders Initiative Fund, a new program to identify critical shortfalls in the training, equipment, and capabilities of allies serving in peacekeeping and peace enforcement operations. The Senate bill also included a reduction (Sec. 538) of \$348.75 million to Title I (State Department and Related Agencies) and Title III (Bilateral Foreign Assistance) to reduce unobligated balances.

Fighting the War on Terrorism

Since the terrorist attacks in September 2001, American foreign aid programs have shifted focus toward more direct support for key coalition countries and global counterterrorism efforts. In total, Congress has appropriated approximately \$52.3 billion in FY2002-FY2006 Foreign Operations funding to assist the approximately 28 front-line states in the war on terrorism, implement anti-terrorism training programs, and address the needs of post-conflict Iraq and other surrounding countries. About 43% of all Foreign Operations appropriations in the past five years have funded war on terror and Iraq war-related purposes.

Although there is disagreement regarding the extent to which foreign aid can directly reduce the threat of terrorism, most agree that economic and security assistance aimed at reducing poverty, promoting jobs and educational opportunities, and helping stabilize conflict-prone nations can indirectly address some of the factors that terrorists use to recruit disenfranchised individuals for their cause.

The FY2007 request continued the priority of fighting terrorism with about \$7 billion, or 29%, of Foreign Operations resources assisting the front-line states and Iraq. The largest recipients for FY2007 included Afghanistan (\$1.12 billion), Iraq (\$771 million), Pakistan (\$739 million), and Jordan (\$457 million).

Foreign Operations spending to fight the war on terror would have been greater in FY2005 and FY2006, and potentially higher for FY2007, except for an Administration decision to transfer funding and program responsibility for security forces training and equipping in Iraq and Afghanistan from the State Department to the Department of Defense. In FY2005, Congress approved in an emergency supplemental \$6.9 billion for security force aid in Afghanistan and Iraq, and an additional \$4.3 billion the FY2006 supplemental (H.R. 4939). Military assistance programs have maintained a long tradition of falling under the policy authority of the Secretary of State and civilian diplomats at the Department, with DOD given responsibility to manage the programs. Congress approved the shift from Foreign Operations to Defense Department funds for Afghan military aid in the FY2005 Emergency Supplemental, but only after adding the requirement that the Secretary of State concur with DOD decisions over how to program these funds.

Congressional Action

H.R. 5522, as passed by the House, provided mixed funding levels for various countries and programs related to fighting the war on terror. Aid for several front-line states was reduced:

- Afghanistan was set at \$962 million, about \$140 million below the request;
- Pakistan would have received \$500 million in security assistance, \$150 million less than proposed;
- Indonesia security assistance would have been \$12 million less than requested.

Security aid for Jordan, on the other hand, was set at \$468 million, \$16 million higher than proposed. For counterterrorism programs under the NADR account, the House bill provided \$143.6 million, \$14 million below the request. The Administration stated its opposition to cuts in assistance to Afghanistan and Pakistan arguing that in the case of Pakistan, it would delay fulfilling the President's five-year commitment for reconstruction and other assistance following the October 2005 earthquake.

The Senate bill:

- fully funded the Administration's \$1.124 billion request for Afghanistan;
- fully funded the \$738.6 million request for Pakistan;
- provided \$163.4 million for Indonesia, nearly \$9 million above the request;
- fully funded the \$457.3 million request for Jordan.

For counterterrorism programs under the NADR account, the Senate bill provided the Administration's request of \$157.5 million.

CR Provisions

The 110th Congress refrained from providing specific country level earmarks with some exceptions. Country specific funding levels are being determined by the Administration with the concurrence of relevant committees and will not be available until later in the year. The NADR account that funds some terrorism programs was funded at \$406 million, the same as FY2006, but \$43 million less than the request.

Iraq Reconstruction and Stabilization Assistance

A year ago, the Administration proposed \$414 million for Iraq in FY2006, the first request for such assistance since Congress approved \$18.44 billion in the FY2004 emergency supplemental (P.L. 108-106). At the time of the budget's submission, some critics argued that since large portions of the \$18.44 billion remained unobligated and even larger amounts were unspent, there were sufficient funds available to meet current and future reconstruction needs in Iraq. Subsequently, the pace of reconstruction spending increased, and by the time Congress took final action on the FY2006 Iraq request, the Administration reported that \$14.77 billion, or 81%, of amounts appropriated in P.L. 108-106 had been obligated and about 49% of the \$18.44 billion total had been spent.¹⁷ Nevertheless, with substantial amounts still remaining, Congress provided only \$61 million of the \$414 million Iraq request for FY2006.

Despite its lack of success in obtaining full funding for Iraq reconstruction and stabilization in the regular FY2006 budget, the Administration requested nearly \$771 million in its regular FY2007 Foreign Operations budget, plus \$1.6 billion more in emergency FY2006 supplemental appropriations. About 90% of the \$18.44 billion appropriation has been obligated and over two-thirds has been disbursed.¹⁸ Administration officials say that the entire amount will be obligated by the end of FY2006.

Most of the FY2007 request was composed of \$478.8 million in Economic Support Funds (ESF) to continue programs to sustain U.S.-funded infrastructure, and support democracy, governance,

¹⁷ Obligation and spending figures from Department of State. *Iraq Weekly Status Report*, October 26, 2005, p. 17. For more details on the status and implementation of Iraq reconstruction programs, see CRS Report RL31833, *Iraq: Reconstruction Assistance*, by Curt Tarnoff.

¹⁸ Department of State. *Iraq Weekly Status Report*, May 31, 2006, p. 10.

civil society, private sector, and agriculture programs. An additional \$254.6 million was aimed at rule of law programs (International Narcotics and Law Enforcement account - INCLE), \$16.6 million was for nonproliferation and anti-terrorism activities (Nonproliferation, Anti-Terrorism, and Demining account - NADR), \$20 million was for refugee assistance (Migration and Refugee Assistance account - MRA), and \$1.2 million for IMET (International Military Education and Training).

Congressional Action

The House-passed bill provided \$305.8 million in ESF support—\$173 million less than proposed. The House bill did not earmark specific funds for Iraq from the INCLE, MRA, and IMET accounts. Overall funding levels for INCLE and MRA were reduced significantly from requested amounts, although the report accompanying H.R. 5522 stated support for the Administration's MRA request for Iraq. It is conceivable that Iraq would receive less than requested amounts for counterterrorism support from the INCLE account.

The Senate bill provided the Administration's request for \$752.8 million and recommends that funding requested from the INCLE and ESF accounts be transferred to the Democracy Fund for activities in Iraq. The remaining ESF total would be \$453.8 million, and NADR would be \$18.2 million.

Egypt Assistance and Political Reforms¹⁹

Since 1979, Egypt has been the second largest recipient, after Israel, of U.S. foreign assistance, receiving an annual average of over \$2 billion in economic and military aid. For FY2007, the Administration requested \$455 million in economic support and \$1.3 billion in military assistance.

Some lawmakers believe that U.S. assistance to Egypt has not been effective in promoting political and economic reform and that foreign assistance agreements must be renegotiated to include benchmarks that Egypt must meet to continue to qualify for U.S. foreign aid. Others have periodically called for restrictions on U.S. aid to Egypt on the grounds that Egypt indirectly supports Palestinian terrorism, suppresses its own population, including minority Christians, and continues to allow Egyptian state-owned media outlets to publish unsubstantiated conspiracy theories regarding Israel and the Jewish people.

For years, Congress has specified in annual Foreign Operations appropriations legislation that ESF funds to Egypt are provided with the understanding that Egypt undertake certain economic reforms and liberalize its economy. More recently, however, Congress has begun to attach conditions to Egyptian assistance intended to support the political reform process. The FY2006 Foreign Operations appropriations (P.L. 109-102), for example, designated \$100 million in economic aid for education and democracy and governance programming. The conference report on the FY2006 spending measure (H.Rept. 109-265) stated that "not less than 50 percent of the funds for democracy, governance and human rights be provided through non-governmental organizations for the purpose of strengthening Egyptian civil society organizations, enhancing their participation in the political process and their ability to promote and monitor human rights."

¹⁹ This section was prepared by Jeremy Sharp. For more information, see CRS Report RL33003, *Egypt: Background and U.S. Relations*, by Jeremy M. Sharp.

Congressional Action

H.R. 5522, as passed in the House, fully funded the Administration's \$1.76 billion Egyptian aid package for FY2007—\$455 million in economic aid and \$1.3 billion in military assistance, but included a \$200 million rescission of previous year ESF funds.

On the floor, the House defeated an amendment by Representative Obey, then ranking Member of the Appropriations Committee, to redirect \$100 million in military aid to Egypt to two other accounts: \$50 million for International Disaster and Famine Assistance for Darfur; and \$50 million for the Global HIV/AIDS Initiative. During debate, Obey and supporters argued that Egypt had not made sufficient progress with regard to human rights, election procedures, and other matters. Members expressed particular concern regarding the detention of democracy activists. The Obey floor amendment was similar to an amendment he offered in full Committee markup, and that also failed, that would have delayed \$200 million of Egypt's military aid until Congress enacted future legislation approving the withheld assistance.

It was also during full Committee markup that the House panel approved an amendment offered by Subcommittee Chairman Kolbe adding report language clarifying the terms of Section 578(b) of the bill, a provision requiring the rescission, or cancellation of \$200 million of previously appropriated Economic Support Funds. The Kolbe report language specified that the \$200 million would be drawn from cash assistance appropriated for Egypt in FY2003-FY2006. The language noted that such cash aid was conditioned on Egypt meeting certain financial reform benchmarks. While many have been met, the Committee report points out that some benchmarks have not been implemented and that USAID has not released the associated cash assistance.

Beyond these two amendments, and similar to last year's language, H.R. 5522 stipulated that \$50 million of ESF money shall support democracy and human rights programs, half of which should be provided through non-governmental organizations. The bill also required \$50 million for education activities.

The Senate bill approved the Administration's request of \$1.758 billion for Egypt, but reallocated some funding to different accounts, such as the Democracy Fund and Child Survival and Health. Of the total, \$1.3 billion, as requested, remained in the FMF account. The bill also maintained restrictions from previous years regarding economic and political reforms, including a determination from the Secretary of State that certain benchmarks have been met. The bill also rescinded \$300 million in prior year ESF funds.

CR Provisions

The continuing resolution provided \$1.3 billion in Foreign Military Financing to Egypt, as well as \$455 million in Economic Support Funds, of which \$50 million is to be used for assistance for the West Bank and Gaza. The CR also rescinded \$200 million in previously appropriated ESF funds.

Core Development Assistance

A continuing source of disagreement between the executive branch and Congress is the size and allocation of the roughly \$3 billion "core" budget for USAID development assistance and global health programs, and whether proposed cuts by the Administration are the result of increases for the Millennium Challenge Corporation and the President's Global AIDS Initiative (PEPFAR). Similar to budget requests in recent years, the FY2007 proposal would reduce the two USAID "core" accounts—Child Survival/Health and Development Assistance—by a combined \$363 million, or nearly 12%. On the other hand, MCC funding would grow by \$1.25 billion (+71%)

and PEPFAR spending on the 15 “focus” countries would rise by \$919 million (+46%) (**Table 5**). Development Assistance (DA) and Child Survival/Health (CSH) funds support education, agriculture, environment, democracy, health, family planning, and other key long-term development activities worldwide, largely in low-income countries. The MCC and PEPFAR programs, on the other hand, are far more selective, focusing on a few, “best performing” countries in the case of the MCC or those judged to have the worst HIV/AIDS problems.

Critics of the proposed DA and CSH reductions argue that these accounts are fundamental to reducing poverty in the vast majority of countries assisted by the United States, and that cuts in these programs affect large pockets of poor populations around the globe. They have particularly objected to the DA and CSH funding request for Latin America that would sustain substantial cuts in FY2007. These critics, while supporting the MCC and PEPFAR programs, believe that resources for these new initiatives should be in addition to and not a substitute for the traditional USAID “core” accounts. Administration officials defended their budget submission saying that the MCC in particular is not taking funds away from the “core” accounts, but acknowledging that as the fiscal environment has become constrained in recent years, priorities must be set and trade-offs may occur. They also claimed that when all Foreign Operations resources are taken into account, Latin America will receive roughly the same amount of assistance in FY2007 as in FY2006.

Congressional Action

The House-passed measure provided \$1.576 billion for Child Survival and Health, an increase of nearly \$143 million over the request, but nearly \$77 million less than provided in FY2006, including supplementals. The House bill also slightly increased funding levels for Development Assistance, providing \$1.294 billion rather than the President’s request of \$1.282 billion. At first glance, this marks a decrease of \$231.3 million from FY2006, including supplementals. However, H.R. 5522 created a new account—the Trade Capacity Enhancement Fund—and transferred \$214 million from DA to that new account, an amount that the Committee reports was the amount that USAID estimated to spend on trade-related activities in FY2006.

With regard to the Millennium Challenge Corporation, the House bill did not fully fund the Administration’s request of \$3 billion, instead providing \$2 billion. The House bill met the Administration’s \$3.3 billion request for HIV/AIDS programs in both CSH and Global AIDS Initiative funds, but increased the contribution to \$445.5 million from the request of \$200 million.

The Senate bill provided \$1.677 billion for Child Survival and Health and \$1.400 billion for Development Assistance. Unlike the House, the Senate bill did not create a Trade Capacity Enhancement Fund, but recommended \$283 million for trade capacity building and economic growth activities. The Senate bill provided \$1.877 billion for the Millennium Challenge Corporation, \$123 million less than the House bill, and \$1.123 billion less than the request. With regard to HIV/AIDS programs, the Senate bill met the Administration’s \$3.3 billion request, providing \$2.89 billion for the Global HIV/AIDS Initiative; \$425 million in Child Survival and Health funds; \$4.16 million in ESF funds; \$492,000 in SEED funds; and \$14.215 million in FSA funds. The total was consolidated under the Child Survival and Health account. The U.S. contribution (from foreign operations funding) to the Global AIDS Fund was set at \$600 million.

CR Provisions

The continuing resolution provided increased funds for health programs, but maintained most others at the FY2006 level. CSH was funded at \$1.72 billion, an increase of \$285 over the request. The Global HIV/AIDS Initiative also received increased funding—\$3.25 billion

compared to the request of \$2.89 billion. Development Assistance was maintained at the FY2006 level of \$1.51 billion, as was MCC funding at \$1.752 billion.

Table 5. Development Assistance Funding
(in millions of current \$s)

	FY2005 Actual	FY2006 Estimate	FY2007 Request	FY07 +/- FY06	
				\$	%
USAID “Core Development” Accounts:					
Development Assistance	\$1,448.3	\$1,508.8	\$1,282.0	(\$226.8)	-15.0%
Child Survival/Health	\$1,537.6	\$1,569.2	\$1,433.0	(\$136.2)	-8.7%
Subtotal, “Core Development”	\$2,985.9	\$3,078.0	\$2,715.0	(\$363.0)	-11.8%
Global AIDS Initiative	\$1,373.9	\$1,975.1	\$2,894.0	\$918.9	46.5%
Millennium Challenge Account	\$1,488.0	\$1,752.3	\$3,000.0	\$1,247.7	71.2%
Total, Development Aid	\$5,847.8	\$6,805.4	\$8,609.0	\$1,803.6	26.5%

Source: USAID.

Program Sector Distribution Across All Foreign Operations Accounts

To fully understand the implications of the FY2007 request for development priorities, it is necessary to look beyond just the DA and CSH accounts and include funds drawn from other Foreign Operations channels that provide assistance for the same purposes and are programmed in much the same way as those in the “core development” accounts. Funds appropriated under the State Department’s Global HIV/AIDS Initiative (GHAI) support the same activities as HIV/AIDS resources in the CSH account, but specifically target 15 countries with the most severe HIV/AIDS problems. Resources provided through the ESF account, assistance for former Soviet states (FSA) and Eastern Europe (SEED), and alternative development activities supported with Andean Counternarcotics Initiative (ACI) funds are largely spent in the same manner as those flowing through the DA and CSH account.²⁰

What is different about these funds is the rationale for why the aid is given. Countries receiving ESF, FSA, SEED, and ACI have a more strategic or political dimension in their relationships with the United States that justify the size and type of aid received. Another difference, at least in the past, is that these latter, more strategic aid accounts are co-managed by the State Department and USAID, while DA and CSH funds are controlled directly by USAID. Presumably, however, this may no longer be a relevant distinction under Secretary Rice’s new foreign aid realignment in which the Director of Foreign Assistance, who also serves as the USAID Administrator, will maintain control over all State and USAID aid appropriations, with the exception of GHAI funds, regardless of which agency has primary management responsibility.

Keeping these similarities and differences in mind, **Table 6** compares the FY2007 budget request with FY2006 enacted amounts, taking into consideration all bilateral economic aid Foreign Operations accounts—DA, CSH, ESF, FSA, SEED, and ACI—broken down by key development

²⁰ This is not always the case, however. At times, ESF resources are provided on more flexible terms, as budget support and cash transfers, than are CSH and DA funds. Portions of U.S. ESF assistance to Egypt and Pakistan, for example, are cash transfers.

assistance sector priorities. Through an examination of this broader array of funding channels, several key findings emerge.

Table 6. Economic Aid Allocations for All Foreign Operations Accounts, by Program Sector

(in millions of current \$s)

Development Sector	FY2005 Actual	FY2006 Enacted	FY2007 Request	FY2007 +/- FY2006
Economic Growth/Agriculture/Trade	\$4,900.7	\$3,471.1	\$3,392.8	-2.3%
Agriculture	\$495.1	\$431.5	\$622.9	44.4%
Environment	\$494.3	\$423.8	\$445.6	5.1%
Economic Growth	\$2,963.9	\$1,675.0	\$1,541.4	-8.0%
Basic Education for Children	\$412.8	\$519.7	\$455.7	-12.3%
Higher Education & Training	\$127.5	\$183.5	\$207.2	12.9%
Israel Cash Transfer	\$407.1	\$237.6	\$120.0	-49.5%
Global Health	\$3,148.4	\$3,835.3	\$4,527.0	18.0%
Child Survival/Maternal Health	\$450.7	\$461.4	\$421.8	-8.6%
Vulnerable Children	\$35.3	\$37.7	\$13.4	-64.5%
HIV/AIDS (USAID non-focus countries)	\$376.4	\$368.4	\$343.9	-6.7%
HIV/AIDS (State Dept account)	\$1,373.9	\$1,777.1	\$2,794.0	57.2%
Global Fund for AIDS, TB, & Malaria	\$248.0	\$445.5	\$200.0	-55.1%
Other Infectious Diseases	\$216.0	\$310.2	\$396.6	27.9%
Family Planning	\$448.1	\$435.0	\$357.3	-17.9%
Democracy, Conflict, & Humanitarian	\$1,005.8	\$1,048.1	\$1,095.2	4.5%
Democracy & Local Governance	\$781.6	\$833.0	\$856.2	2.8%
Human Rights	\$46.8	\$39.6	\$30.1	-24.0%
Humanitarian Assistance	\$49.4	\$36.1	\$45.0	24.7%
Conflict Management	\$128.0	\$139.4	\$163.9	17.6%
State Dept. Initiatives	\$490.7	\$510.1	\$730.3	43.2%

Source: USAID and CRS calculations.

Note: This table shows the distribution of economic aid funding, by sector, across all bilateral Foreign Operations accounts: Development Assistance, Child Survival/Health, Economic Support Fund, East European aid, former Soviet aid, Andean Counterdrug Initiative, and the State Department's Global HIV/AIDS Initiative.

- **Agriculture programs increase but add-ons are limited to Iraq and Afghanistan.** The FY2007 request proposed a \$192 million, or 44% increase in agriculture activities. USAID officials have argued for a number of years that this sector has been under-funded, with demands in developing countries far out-pacing available resources. Congressional directives for higher spending on other sectors, they contend, have squeezed the amount of resources available for agriculture. Nevertheless, the entire increase for agriculture in FY2007 was scheduled for Iraq and Afghanistan, leaving other nations at or below FY2006 levels.

- **Conflict Management increase targets Sudan.** A 17.6% rise in the FY2007 request for the conflict management sector was due to a proposed \$40 million increase—to \$60 million—for activities in Sudan.
- **HIV/AIDS funds re-distributed.** While HIV/AIDS resources for non-focus countries channeled through CSH account were cut slightly in the FY2007 request, overall resources in Foreign Operations to fight the AIDS pandemic were up significantly in the proposed budget (**Table 7**). Nevertheless, the FY2007 request continues a fundamental disagreement between the executive branch and Congress over the appropriate size of a U.S. contribution to the multilateral Global Fund to Fight HIV/AIDS, Tuberculosis, and Malaria. The Administration has proposed in every year since FY2003 either \$200 million or \$300 million for the Global Fund, while Congress has appropriated amounts ranging between \$350 million and \$550 million (including funds provided in the Labor/HHS appropriations measure). For FY2007, the Administration again requested \$300 million for the Global Fund (with \$100 million requested in the Labor, Health and Human Services, and Education Appropriations bill), while boosting amounts for the 15 focus countries from \$1.335 billion to \$2.136 billion. The House-passed foreign operations bill provided \$444.5 million for the Global Fund, while the House-passed Labor/HHS bill did not include the President's request. The Senate State/Foreign Operations bill directed \$600 million to the Global Fund.
- **Other infectious diseases funding grows due to malaria initiative and avian flu.** The category of other infectious diseases—which mainly includes funding for malaria, tuberculosis, and recently to combat the anticipated avian influenza pandemic—would rise by \$86 million, or 28% in FY2007. In mid-2005, President Bush announced a plan to provide \$1.2 billion in additional funding through FY2010 for malaria. The FY2007 request of \$223 million for malaria represented the second year of the plan that would increase from three to seven focus countries next year. The FY2007 also included \$55 million to deal with international aspects of avian flu. The House-passed bill did not fully fund the President's Malaria Initiative, cutting it by \$47 million. The bill also did not provide the Administration's \$55 million request for Avian Influenza, perhaps reflecting the inclusion of \$2.3 billion in the FY2006 emergency supplemental. The Senate bill provided the Administration's request for malaria and avian flu.

Table 7. U.S. International HIV/AIDS, Tuberculosis, and Malaria Programs

(in millions of current \$s)

Program	FY2002 Actual	FY2003 Actual	FY2004 Actual	FY2005 Actual	FY2006 Est.	FY2007 Request	FY2007 CR
USAID CSH account for HIV/AIDS - regular	\$395.0	\$587.6	\$513.4	\$347.2	\$346.5	\$325.0	\$464.5
USAID CSH account for Global Fund	\$50.0	\$248.4	\$397.6	\$248.0	\$247.5	\$100.0	\$247.5
USAID Global Fund Carry-over	—	—	-87.8 ^a	\$87.8	—	—	—
USAID CSH account for TB & Malaria	\$165.0	\$129.0	\$155.0	\$168.6	\$178.2	\$304.0	\$248.0

Program	FY2002 Actual	FY2003 Actual	FY2004 Actual	FY2005 Actual	FY2006 Est.	FY2007 Request	FY2007 CR
USAID other economic assistance	\$40.0	\$38.2	\$51.7	\$51.1	\$42.6	\$33.4	na
State Dept Global AIDS Init. (GHA1)	—	—	\$488.1	\$1,373.9	\$1,775.1	\$2,794.0	\$2,869.0
GHA1 for Global Fund	—	—	—	—	\$198.0	\$100.0	\$377.5
FMF	—	\$2.0	\$1.5	\$2.0	\$1.9	\$1.6	na
Subtotal, Foreign Operations	\$650.0	\$1,005.2	\$1,519.5	\$2,278.6	\$2,789.8	\$3,658.0	\$4,206.5
CDC Global AIDS	\$143.8	\$182.6	\$273.9	\$123.8	\$122.7	\$121.9	\$120.8
CDC Internat'l Applied Prevention Research	\$11.0	\$11.0	\$9.0	\$14.0	\$10.9	\$0.0	na
NIH International Res.	\$218.2	\$278.6	\$317.2	\$332.3	\$346.5	\$368.0	\$372.0
NIH/HHS for Global Fund	\$125.0	\$99.3	\$149.1	\$99.2	\$99.0	\$100.0	\$99.0
Labor Dept AIDS in the Workplace	\$8.5	\$9.9	\$9.9	\$2.0	\$0.0	\$0.0	\$0.0
Subtotal, Labor/HHS/Ed	\$506.5	\$581.4	\$759.1	\$571.3	\$579.1	\$589.9	\$591.8
DOD HIV/AIDS prevention education with African militaries	\$14.0	\$7.0	\$4.2	\$7.5	\$5.2	\$0.0	Na
USDA Section 416 (b) Food Aid	\$25.0	\$24.8	\$24.8	\$24.8	\$24.8	\$0.0	na
Total, all appropriations	\$1,210.5	\$1,618.4	\$2,318.6	\$2,882.2	\$3,398.9	\$4,247.9	\$4,798.3
Total, Global Fund	\$175.0	\$347.7	\$458.9	\$435.0	\$544.5	\$300.0	\$724.0

Sources: House and Senate Appropriations Committees, Departments of State and HHS, USAID, and CDC. FY2004 and FY2005 figures were drawn from, *Action Today, A Foundation for Tomorrow: The President's Emergency Plan for AIDS Relief, Second Annual Report to Congress*. February 2006. p. 155.

Note: Following the launch in FY2006 of the President's Malaria Initiative, malaria funding is no longer included in the overall PEPFAR total. However, because HIV/AIDS, tuberculosis, and malaria have traditionally been grouped together in years prior to FY2006, for comparability purposes they are included in the totals for FY2006 and FY2007. Without malaria funding, the FY2006 total would be approximately \$3.297 billion, FY2007 request would be about \$4.032 billion, and the House Foreign Operations recommendation would be \$3.431 billion.

a. Reflects the amount that could not be transferred to the Global Fund in FY2004, but that was carried over for and contributed in FY2005.

- **Basic education allocation for FY2006 exceeds congressional directive but FY2007 shifts funds to strategic countries.** One of the highest congressional development assistance priorities in recent years has been basic education programs. In most years, Congress has increased significantly levels proposed by the Administration. This was the case for FY2006, where lawmakers increased the executive's \$341 million request to \$465 million. Ultimately, however, the Administration allocated \$520 million for basic education in FY2006 and proposed \$456 million for FY2007, nearly meeting the level directed by

Congress for FY2006. The FY2007 request, however, marked a significant shift in resources away from Africa and Latin America in order to increase programs in more strategic countries, including Afghanistan and Jordan (**Table 8**). The House bill reiterated congressional support for basic education programs, providing \$550 million. The Senate bill recommended \$455.7 million for basic education, and consolidated funds from ESF, SEED, FSA, and ACI under the Development Assistance account.

Table 8. Basic Education Programs for Selected Regions and Recipients

(in millions of current \$s)

Region/Country	FY2005 Actual	FY2006 Enacted	FY2007 Request	FY2007 +/- FY2006
Africa	\$146.1	\$183.4	\$129.1	-29.6%
Latin America	\$47.1	\$57.2	\$41.7	-27.1%
Afghanistan	\$37.9	\$51.8	\$81.0	56.4%
Jordan	\$36.2	\$14.0	\$34.0	142.9%

Source: USAID and CRS calculations.

- **Family planning funds reduced.** For the first time during the Bush Administration, the executive branch sought less than \$425 million for international family planning and reproductive health programs.²¹ Consistently one of the most controversial policy elements of the Foreign Operations spending bill, family planning programs generally have been supported by Congress with larger appropriations, ranging between \$432 million and \$480 million in recent years. In defending the request for \$357 million, USAID Administrator Tobias told the House Foreign Operations Subcommittee that family planning remains a “very big priority” of the Agency, but that with the increases for malaria and avian flu, funding trade-offs among various health activities were necessary.²² Instead, the House provided \$432 million for international family planning. Another \$34 million would be available for the United Nations Population Fund (UNFPA) if it is deemed eligible for U.S. assistance. The Senate bill provided \$465.3 million for family planning and reproductive health from which \$25 million could be available for UNFPA.

Regional Allocations for FY2007: Latin America and Africa

As noted above, some observers and Members of Congress have been critical of proposed reductions in economic assistance for Latin America. As shown in **Table 9**, amounts for Latin America from the DA and CSH accounts are down sharply in the FY2007 request—nearly 22%.

²¹ In January 2001, President Bush announced that he would re-apply the so-called “Mexico City” policy restrictions banning foreign non-governmental organizations that performed abortions or promoted abortions as a method of family planning from receiving USAID funds even if these activities were financed with non-U.S. government funds. At the same time, however, the President said he remained committed to international family planning and would continue the Clinton Administration \$425 million funding request. Each subsequent budget proposal through FY2006 sought \$425 million. For more information on the Mexico City policy, see CRS Report RL30830, *International Family Planning: The “Mexico City” Policy*, by Larry Nowels.

²² House Foreign Operations Subcommittee hearing, April 26, 2006.

Using a broader measure that includes all Foreign Operations accounts, however, levels for Latin America were reduced in the FY2007 request, but not to the same degree as for the “core” USAID development accounts. Combining DA and CSH funding with these other Foreign Operations accounts that also provide development and poverty reduction aid—ESF, alternative development under the Andean Counternarcotics Initiative, and the Global AIDS Initiative—the FY2007 proposal for Latin America would have cut amounts by \$51 million, or about 6% below FY2006. Administration officials also pointed out that FY2007 totals did not include sizable support for Nicaragua and Honduras under the Millennium Challenge Account, and that other regional countries may qualify for MCA assistance in the future.²³

Critics remain concerned, nevertheless, that the United States was withdrawing foreign aid from Latin America where large pockets of poverty remain and where the United States has substantial interests. They acknowledge that several regional countries have benefitted from the more recent, selective U.S. initiatives—MCA, HIV/AIDS, and ACI alternative development—but that a number of other Latin American nations are excluded from these programs and are unlikely to qualify in the near-term.

Economic assistance proposed for Africa, on the other hand, would have increased significantly under the FY2007 proposal—by \$860 million, or over one-third. U.S. assistance to Africa has been increasing for several years, and at the 2005 G-8 summit, President Bush pledged to double U.S. aid to the continent by 2010. The increase for Africa, however, was heavily concentrated in countries that are the primary targets of the President’s HIV/AIDS and malaria initiatives. The 12 African AIDS “focus” countries²⁴ alone account for \$755 million of the \$860 million regional increase. Similar to the case in Latin America, nations that are not participants in the newest selective foreign aid initiatives are scheduled for flat or reduced assistance in FY2007.²⁵

Congressional Action

The House report to H.R. 5522 expressed concern with the trend of decreased funding for Latin America. Both bill and report language directed that levels for Child Survival and Health, Development Assistance, and the new Trade Capacity Enhancement Fund in FY2007, should not fall below FY2006 levels. The Senate bill did not include similar language.

Table 9. Latin America and Africa Economic Aid Allocations
(in millions of current \$s)

Foreign Operations Appropriation Account	Latin America			Africa		
	FY2005 Actual	FY2006 Est.	FY2007 Request	FY2005 Actual	FY2006 Est.	FY2007 Request
Development Assistance	\$247.3	\$254.4	\$181.8	\$517.6	\$588.5	\$563.4
Child Survival/Health	\$144.6	\$140.9	\$128.0	\$370.3	\$391.9	\$478.5
Subtotal, DA & CSH	\$391.9	\$395.3	\$309.8	\$887.9	\$980.4	\$1,041.9

²³ For more discussion of these issues, see CRS Report RL32487, *U.S. Foreign Assistance to Latin America and the Caribbean*, by Connie Veillette, Clare Ribando Seelke, and Mark P. Sullivan.

²⁴ Botswana, Cote d’Ivoire, Ethiopia, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, and Zambia.

²⁵ For further details on U.S. aid to Africa, see CRS Report RL33591, *Africa: U.S. Foreign Assistance Issues*, by Ted Dagne.

Foreign Operations Appropriation Account	Latin America			Africa		
	FY2005 Actual	FY2006 Est.	FY2007 Request	FY2005 Actual	FY2006 Est.	FY2007 Request
Economic Support Fund	\$163.0	\$120.8	\$152.1	\$126.2	\$121.3	\$164.3
ACI, Alternative Development	\$227.3	\$226.5	\$206.9	—	—	—
Global AIDS Initiative	\$58.8	\$65.3	\$88.0	\$885.7	\$1,238.7	\$1,994.0
TOTAL	\$841.0	\$807.9	\$756.8	\$1,899.8	\$2,340.4	\$3,200.2

Source: USAID and CRS calculations.

The Millennium Challenge Account²⁶

The largest funding increase in the FY2007 Foreign Operations budget was for the Millennium Challenge Account (MCA), a foreign aid program announced in early 2002 and created by statute in February 2004. The MCA is designed to transform the way the United States provides economic assistance, concentrating resources on a small number of “best performing” developing nations. MCA funds are managed by the Millennium Challenge Corporation (MCC), which provides assistance through a competitive selection process to countries that are pursuing political and economic reforms in three areas:

- Ruling justly—promoting good governance, fighting corruption, respecting human rights, and adhering to the rule of law;
- Investing in people—providing adequate health care, education, and other opportunities promoting an educated and healthy population; and
- Fostering enterprise and entrepreneurship—promoting open markets and sustainable budgets.

The MCA concept is based on the premise that economic development succeeds best where it is linked to the principles and policies of a free market economy and democracy, and where governments are committed to implementing reform measures in order to achieve such goals. The MCA differs in several fundamental respects from past and current U.S. aid practices:

- the size of the \$5 billion annual commitment;
- the competitive process that will reward countries for past actions measured by 16 objective performance indicators;
- the pledge to segregate the funds from U.S. strategic foreign policy objectives that often strongly influence where U.S. aid is spent; and
- the requirement to solicit program proposals developed solely by qualifying countries with broad-based civil society involvement.

The request for FY2007 was \$3 billion, the same as for FY2006, but substantially higher than the \$1.75 billion appropriated by Congress. The requests of \$3 billion for each of the past two years fall well below the \$5 billion target for FY2006 and beyond that the President pledged when he announced the initiative in March 2002. The MCC’s Board of Directors selected 23 countries²⁷ to

²⁶ For a complete discussion of the Millennium Challenge Account, see CRS Report RL32427, *Millennium Challenge Account*, by Curt Tarnoff.

²⁷ The 23 countries are: Armenia, Benin, Bolivia, Burkina Faso, Cape Verde, East Timor, El Salvador, Gambia,

participate in the program in FY2004-FY2006, and the Corporation has signed eight agreements, or Compacts, with Madagascar, Honduras, Cape Verde, Nicaragua, Georgia, Benin, Vanuatu, and Armenia between April 2005 and May 2006.

Some Members of Congress, however, believe the initiative has started more slowly than they had anticipated, spending only small amounts of the roughly \$3.7 billion appropriated in total for FY2004-FY2006. Increasing the budget of an untested foreign aid program while other traditional development assistance programs are scheduled for reductions in FY2007, they assert, may not be the best allocation of Foreign Operations resources. The MCC, and its new CEO, Ambassador John Danilovich, argue that changes have been made that will accelerate the signing of more Compacts—three have been signed in 2006—and that new Compacts will be larger in size helping the MCC fulfill its vision of being a “transformational” development agency. MCC officials said that existing resources were likely to be fully committed by the end of calendar 2006, and that an additional \$3 billion was necessary to finance new Compacts signed in FY2007.

Another concern frequently raised is that additional spending for the MCC comes at the expense of other core development aid accounts. President Bush pledged in 2002 when the MCC concept was first announced that spending on the new initiative would be additional, and not a substitute for existing foreign assistance resources. It is usually impossible to attribute an increase in one program with reductions in others, given the complicated process through which budgets are compiled and the multiple, but not necessarily directly linked, trade-offs that occur. The FY2007 Foreign Operations request is the first budget proposal since establishment of the MCC where Compacts have been signed in countries where USAID maintains programs. In each of these six countries—Armenia, Benin, Honduras, Georgia, Madagascar, and Nicaragua—USAID resources decline. In some cases, decisions to reduce regular aid programs are most likely unrelated to MCC resources. For example, the Administration has been trying to reduce assistance to Armenia and Georgia for a number of years, but congressional earmarks keep levels higher. For other countries, however, executive officials have not explained why traditional assistance has declined, especially for economic growth programs that are the primary focus of MCC Compacts.

Congressional Action

The House Appropriations Committee provided \$2 billion for the MCC, \$1 billion under the request. While expressing strong support for the MCC, the Committee’s report noted the constraints imposed by a reduced Section 302(b) allocation and the lack of flexibility to fully fund the Administration’s request. The Senate bill provided \$1.877 billion, a reduction of \$1.123 billion from the request.

CR Provisions

The continuing resolution maintained funding for MCC at the FY2006 level of \$1.752 billion.

Other Key Items

Beyond these specific and prominent issues, the Foreign Operations proposal for FY2007 sought to increase aid activities in a few areas while cutting resources for several programs. Significant requests for increases include the following:

Georgia, Ghana, Honduras, Lesotho, Madagascar, Mali, Mongolia, Morocco, Mozambique, Namibia, Nicaragua, Senegal, Sri Lanka, Tanzania, and Vanuatu.

- **USAID administrative costs** would grow substantially under the request, with operating expenses climbing by 9% and capital investment costs nearly doubling. The largest new expense would be for overseas construction in Burundi, Ethiopia, Madagascar, Serbia, Philippines, Congo (Kinshasa), and Zambia where USAID will co-locate within new U.S. embassy compounds. The House bill provided \$641 million, a reduction of nearly \$38 million from the request. The Senate bill provided \$630 million. The final CR included \$624 million.
- **Refugee assistance** resources would rise by 9% in the request over FY2006 regular appropriations (excluding supplementals), with most of the increase planned for refugee admissions into the United States and for the Emergency Refugee and Migration Assistance (ERMA) contingency fund. Overseas refugee assistance would decline slightly. The House reduced funding for Migration and Refugee Assistance, including the Emergency Refugee Fund, by \$108 million, while the Senate bill matched the request. The final CR provided the Administration's request.
- **Conflict Response Fund**, a contingency resource available to the Secretary of State to respond quickly to unforeseen foreign crises, would receive \$75 million in the FY2007 proposal. Funds could also be used to establish a U.S. civilian ground presence in post-conflict situations. In the past, Congress has been reluctant to approve this type of contingency fund for which it can apply little oversight. The Administration had asked lawmakers to launch somewhat similar crisis funds in several recent emergency supplemental and Foreign Operations appropriation requests, proposals that were rejected in each case. Both House and Senate bills again did not provide a separate conflict response fund, and neither did the final CR.
- **Debt restructuring** spending would nearly triple in—from \$64 million in FY2006 to \$183 million—in FY2007. The additional resources would be used largely to cover the costs of canceling debt owed to the United States by the Democratic Republic of Congo, estimated at \$175 million, and to provide for additional contributions to the Heavily Indebted Poor Countries (HIPC) initiative. The House bill significantly cut funding for debt relief, providing a total of \$20 million, while the Senate bill provided \$21 million. The Administration argued that such a level would prevent the United States from meeting its commitment to complete bilateral debt reduction for the Democratic Republic of Congo, while the Committee report noted that Congress had provided \$200 million over the last three years for debt relief for Congo. The final CR included \$64 million.
- **Peacekeeping** funds would grow by 16%, mainly to increase funding for the Trans-Sahara Counter-terrorism Initiative, support for the African Union (AU) mission in Darfur, and for operations in Liberia. Additional funds for AU operations in Darfur were provided in the FY2006 emergency supplemental appropriations. The House bill provided \$170 million, which is \$30 million less than the request. The Senate bill provided \$97.9 million after it redirected \$100 million to FMF for the new Combatants Commanders Initiative Fund, instead of providing the Administration's request for \$103 million for the Global Peace Operations Initiative. The final CR included \$223 million, a level that is \$22 million higher than the request.

For several other Foreign Operations accounts, the FY2007 request represents a reduction below regular amounts approved in FY2006. The proposal cuts funding in two main areas:

- Assistance to **former Soviet states and Eastern Europe**, collectively, would decline by \$151 million, or 17%, from FY2006 levels. The Administration proposes to graduate Bulgaria, Croatia, and Romania from U.S. assistance and decrease every other program in the region other than Kosovo, Ukraine, and the Kyrgyz Republic. Large cuts are recommended for Armenia and Russia. The House further cut this assistance by another \$116 million, and the Senate reduced the requested amount by \$211 million. The final CR provided \$274 million.
- Voluntary contributions to **international organizations** would decrease 11% under the request, with reductions proposed for **UNICEF** (-\$2.7 million), the **U.N. Fund for Women** (-\$2.3 million), and the **U.N. Development Program** (-\$14.4 million). The House provided increased funds over the request, setting voluntary contributions at \$327.6 million, and recommending \$127 million for UNICEF; \$3.25 million for the U.N. Fund for Women; and \$109 million for the U.N. Development Program, all above the Administration's request. The Senate provided \$306.1 million, an increase of \$17 million, including \$127.5 million for UNICEF; \$3 million for the U.N. Fund for Women; and \$110 million for the U.N. Development Program. The final CR increased funding from the \$289 million request to \$326 million.

Leading Foreign Aid Recipients Proposed for FY2007

While Iraq has been the largest recipient of U.S. assistance, cumulatively, since FY2003, and Israel and Egypt remain the largest annual U.S. aid recipients, significant changes among other benefactors of U.S. assistance have emerged. In the aftermath of the September 11 terrorist attacks, the war in Iraq, and the initiation of the President's Emergency Program for AIDS Relief (PEPFAR), foreign aid allocations have changed in several significant ways. The request for FY2007 continued the patterns of aid distributions of the past four years, with the added feature of several PEPFAR countries moving higher on the list of top recipients. **Table 10** includes those nations that have received an average of more than \$150 million from the United States in FY2006 and requested for FY2007. Countries are listed in the order of the combined amounts for those two years.

Since September 11, the Administration has used economic and military assistance increasingly as a tool in efforts to maintain a cohesive international coalition to conduct the war on terrorism and to assist nations that have both supported U.S. armed forces and face serious terrorism threats themselves. Pakistan, for example, a key coalition partner on the border with Afghanistan, had been ineligible for U.S. aid, other than humanitarian assistance, due to sanctions imposed after it conducted nuclear tests in May 1998, experienced a military coup in 1999, and fell into arrears on debt owed to the United States. Since suspending aid sanctions in October 2001, the United States has transferred over \$3.3 billion to Pakistan. Afghanistan, Jordan, and Indonesia also are among the top aid recipients as part of the network of front-line states in the war on terrorism.

Table 10. Leading Recipients of U.S. Foreign Aid
(appropriation allocations; in millions of current \$s)

	FY2003 Total	FY2004 Total	FY2005 Total	FY2006 Regular	FY2006 Supp Est.	FY2006 Total	FY2007 Request
Israel	3,682	2,624	2,610	2,495	—	2,495	2,460
Egypt	2,204	1,865	1,822	1,780	—	1,780	1,758
Afghanistan	543	1,799	2,674	931	46	977	1,124

	FY2003 Total	FY2004 Total	FY2005 Total	FY2006 Regular	FY2006 Supp Est.	FY2006 Total	FY2007 Request
Pakistan	495	387	688	754	—	754	738
Colombia	602	574	569	561	16	577	561
Jordan	1,556	560	659	462	50	512	457
Iraq	2,485	18,439	28	61	1,589	1,650	771
South Africa	73	99	155	226	—	226	360
Kenya	59	85	162	226	—	226	320
Nigeria	73	80	136	182	—	182	320
Ethiopia*	56	74	135	177	—	177	284
Uganda	70	113	170	189	—	189	233
Sudan*	27	171	377	125	263	388	206
Zambia	57	82	132	162	—	162	190
Haiti*	35	102	150	163	20	183	164
Tanzania	41	59	109	135	—	135	190
Indonesia*	132	123	140	143	—	143	154
Mozambique	55	60	84	114	—	114	157

Source: U.S. Department of State. FY2007 estimates for country level funding have not yet been established. The request is used instead.

Note: Countries are listed in order of the combined FY2006 and FY2007 estimates. Amounts for countries that have signed Millennium Challenge Account Compacts are not considered for this listing of top recipients. MCC Compacts are four- or five-year agreements. If the annual average of the Compacts was added to regular aid totals for the current eight MCC Compact countries, none of the eight would break into this list. As more Compacts are signed, however, some MCC countries might begin to appear among the top recipients.

Note: Amounts in this table reflect only direct bilateral, non-food aid programs to these countries. In several cases, especially those noted with an asterisk (*), countries that have or are experiencing a crisis or natural disaster will receive considerable amounts of U.S. aid through worldwide emergency humanitarian assistance accounts for disaster, refugee, and food relief. For example, assistance for Sudan in FY2005 totaled more than \$1 billion after including these emergency programs. In many cases this emergency assistance is not identified on a country basis. It should be kept in mind that for these selected countries, U.S. assistance is considerably higher in some years than the figures noted here.

A new dimension in U.S. aid allocations—the impact of the President’s international HIV/AIDS initiative—can also be seen in amounts allocated for FY2004-FY2006 and proposed for FY2007. Uganda, Ethiopia, Kenya, Mozambique, Zambia, South Africa, Tanzania, and Nigeria, all PEPFAR focus countries, are now among the leading recipients of U.S. assistance.

Missing from the list of top recipients are several countries in the Balkans and the former Soviet Union—Serbia and Montenegro, Kosovo, Russia, Ukraine, Armenia, and Georgia—which have seen levels decline in recent years. Armenia and Georgia, however, have signed MCC Compacts and, including the annual average amount of these Compacts, both countries fall just short of the \$150 million FY2006/FY2007 average cut-off for **Table 10**. Turkey, a leading recipient in most years over the past 25 years, also falls off the list. Andean countries, which have been large recipients of American counternarcotics aid for the past 15 years are also missing. Only Colombia, where U.S. assistance also has a counterterrorism dimension, remains on the list; Bolivia and Peru are no longer among the top 18 recipients.

State Department Appropriations and Related Agencies Overview and Congressional Action

Background

The State Department, established on July 27, 1789 (1 Stat.28; 22 U.S.C. 2651), has a mission to advance and protect the worldwide interests of the United States and its citizens. The State Department supports the activities of more than 50 U.S. agencies and organizations operating at 260 posts in 180 countries. Currently, the State Department employs approximately 30,000 people, about 60% of whom work overseas. As covered in Title IV of the House Science, State, Justice, and Commerce (SSJC) appropriations measure, State Department funding categories include administration of foreign affairs, international operations, international commissions, and related appropriations, such as international broadcasting. The enacted FY2006 appropriation for Title IV was \$9.56 billion (after adjusting for two rescissions), 9.4% higher than the previous year's regular appropriation, but 11% lower than the previous appropriations when including the FY2005 supplemental funds within P.L. 109-13 for Title IV. Typically, about three-fourths of State's budget is for Administration of Foreign Affairs (about 69% in FY2006), which consists of salaries and expenses, diplomatic security, diplomatic and consular programs, technology, and security/maintenance of overseas buildings.

FY2007 Funding Issues²⁸

Administration of Foreign Affairs

The Administration's FY2007 request for State's Administration of Foreign Affairs (including mandatory funding of \$125 million for Foreign Service Retirement) was \$6.93 billion, 5.5% above the FY2006 estimated level of \$6.57 billion (including rescissions). The House-passed level in H.R. 5672 was \$6.66 billion. The Senate Appropriations Committee funding level in H.R. 5522 was \$6.58 billion. The Revised Continuing Appropriations Resolution, 2007 (P.L. 110-5) provides \$6.50 billion for Administration of Foreign Affairs for FY2007.

Diplomatic & Consular Programs (D&CP)

D&CP covers primarily salaries and expenses, hiring, diplomatic expenditures, cost of living and foreign inflation, as well as exchange rate changes. The FY2007 request of \$4.65 billion represented an increase of 7.7%, compared with the \$4.32 billion funding level enacted for FY2006. The FY2007 funding level request included \$795.2 million for worldwide security upgrades, compared with \$680.7 million in the FY2006 appropriation. The D&CP funding request also included \$351 million, compared with \$329.7 million in the FY2006 budget, designated only for public diplomacy. The House-passed funding for D&CP was \$4.46 billion, including \$351 million for public diplomacy and \$795.2 million for worldwide security upgrades. The Senate Appropriations Committee set funding at \$4.50 billion, including \$795.2 million for

²⁸ See CRS Report RL32885, *Science, State, Justice, Commerce and Related Agencies (House)/ Commerce, Justice, Science and Related Agencies (Senate): FY2006 Appropriations*, by Ian F. Fergusson and Susan B. Epstein, for a full discussion of this appropriations measure. The total funding level for State Department and related programs in this report will not match exactly the amount discussed in CRS Report RL32885. This is because the Senate bill organization for State Department and related programs includes the U.S. Institute for Peace and several foreign policy-related commissions that are funded separately from the State Department in the SSJC bill.

worldwide security upgrades. The enacted level for FY2007 is \$4.31 billion, including \$766 million for worldwide security upgrades.

Embassy, Security, Construction, and Maintenance (ESCM)

ESCM provides funding for embassy construction, repairs, and leasing of property for embassies and housing facilities at overseas posts. The FY2007 request of \$640.1 million was 12.1% above the FY2006 enacted level of \$571.1 million (including rescissions). The House agreed to a total of \$1.51 billion for ESCM, including \$605.7 million for regular funding and \$899.4 million for worldwide security upgrades. The Senate Committee recommended funding for ESCM to be a total of \$1.38 billion and did not designate how much the Department should spend on regular versus worldwide security upgrades overall. The continuing resolution provides \$595.0 million for regular ESCM funding and \$897.0 million for worldwide security upgrades for a total of \$1.49 billion in FY2007.

Worldwide Security Upgrades

Ever since the bombings of two U.S. embassies in eastern Africa in August 1998, Congress has appropriated additional money within both D&CP and ESCM for increasing security. The funds in D&CP for worldwide security upgrades are primarily for ongoing expenses due to the upgrades that took place after 1998, such as maintaining computer security and bullet-proof vehicles, and ongoing salaries for perimeter guards. Worldwide security upgrades in ESCM are more on the order of bricks-and-mortar-type expenses. The FY2007 request for upgrades within D&CP totaled \$795.2 million—\$114.5 million (16.8%) above the enacted level of \$680.7 million (reflecting rescissions) for FY2006. The FY2007 request for worldwide security funding within ESCM totaled \$899.4 million, virtually the same as the FY2006 level (after rescissions). The combined total FY2007 request for State's worldwide security upgrades was \$1.69 billion. The combined enacted funding for worldwide security upgrades totaled \$1.66 billion for FY2007.

Educational and Cultural Exchanges

This line item includes programs such as the Fulbright, Muskie, and Humphrey academic exchanges, as well as the international visitor exchanges and some Freedom Support Act and SEED programs. The Administration's FY2007 request was for \$474.3 million, 11.3% more than the FY2006 estimated level of \$426.3 million. The Administration request included \$200.3 million for the Fulbright program and \$351 million within the D&CP account for public diplomacy expenses. The House-passed funding level was \$436.3 million, while the Senate Committee level was \$445.5 million. The continuing resolution (P.L. 110-5) provides \$445.3 million for exchanges in FY2007.

Capital Investment Fund (CIF)

CIF was established by the Foreign Relations Authorization Act of FY1994/95 (P.L. 103-236) to provide for purchasing information technology and capital equipment that would ensure the efficient management, coordination, operation, and utilization of State's resources. The FY2007 request was for \$68.3 million, a 17.6% increase over the \$58.1 million enacted for FY2006 (after rescissions). In addition, the FY2006 appropriation included \$68.5 million for the Centralized Information Technology Modernization Program. The Administration did not request any funding for that account for either FY2006 or FY2007. The House agreed to \$58.1 million for CIF and the Senate Committee recommended the same amount. The enacted FY2007 level is \$58.1 million for CIF.

International Organizations and Conferences

The International Organizations and Conferences account consists of two line items: U.S. Contributions to International Organizations (CIO) and U.S. Contributions for International Peacekeeping Activities (CIPA). The FY2007 request totaled \$2.40 billion for the overall account, up nearly 11% over the FY2006 level of \$2.17 billion, including rescissions.

Contributions to International Organizations (CIO)

The CIO supports U.S. membership in numerous international and multilateral organizations that transcends bilateral relationships and covers issues such as human rights, environment, trade, and security. The FY2007 request level for this line item was \$1.27 billion, 10.2% above the \$1.15 billion enacted level for FY2006. The request represented full funding of U.S. assessed contributions to the U.N. and other international organizations. It did not include funding for prior-year funding shortfalls. The House-passed bill provided \$1.12 billion while the Senate Committee recommendation was \$1.15 billion for CIO in FY2007. The continuing resolution enacted the FY2006 level of funding (\$1.15 billion) for FY2007.

Contributions to International Peacekeeping (CIPA)

The United States supports multilateral peacekeeping efforts around the world through payment of its share of the U.N. assessed peacekeeping budget. The President's FY2007 request of \$1.14 billion represented an increase of 11.1% over the FY2006 estimated level of \$1.02 billion (including rescissions). In addition, the Administration requested an additional \$69.8 million for this account to support U.N. peacekeeping efforts in the southern Sudan. The House-passed bill set funding at \$1.14 billion, as did the Senate Appropriations Committee. The enacted FY2007 estimate is \$1.14 billion.

International Commissions

The International Commissions account includes the U.S.-Mexico Boundary and Water Commission (IBWC), the International Fisheries Commissions (IFC), the International Joint Commission (IJC), the International Boundary Commission (IBC), and the Border Environment Cooperation Commission (BECC). The IBWC's mission is to apply rights and obligations assumed by the United States and Mexico under numerous treaties and agreements, improve water quality of border rivers, and resolve border sanitation problems. The mission of the IFC is to recommend to member governments conservation and management measures for protecting marine resources. The IJC's mission is to develop and administer programs to help the United States and Canada with water quality and air pollution issues along their common border. The IBC is obligated by the Treaty of 1925 to maintain an effective boundary line between the United States and Canada. Established by the North American Free Trade Agreement, the BECC helps local states and communities to develop solutions to environmental problems along the U.S.-Mexico border. The FY2007 funding request of \$63.9 million represented a decrease of 3.9% over the \$66.5 million enacted in FY2006. The FY2007 requested decrease was due largely to a decrease in funds for the Great Lakes Fishery Commission. The House funding level for international commissions was \$67.9 million, while the Senate Committee level was \$67.4 million. The final FY2007 enacted level is \$67.0 million.

Related Appropriations

Related appropriations include those for the Asia Foundation, the National Endowment for Democracy (NED), and the East-West and North-South Centers. The Administration's FY2007 request for related appropriations totaled \$103.6 million—8.7% less than the FY2006 enacted level of \$113.6 million, after rescissions. The House-passed level of \$68.1 million was close to half of the current level, largely because of the significant increase in funding for democracy promotion through the National Endowment for Democracy (NED) in FY2006. The Senate Committee-recommended level was even lower—\$43.5 million—because the Committee recommended a much lower funding level for NED, as more funding was recommended in the Democracy Fund account, elsewhere in the bill. The total funding for related agencies in FY2007 is \$108.6 million.

The Asia Foundation

The Asia Foundation (TAF) is a private, nonprofit organization that supports efforts to strengthen democratic processes and institutions in Asia, open markets, and improve U.S.-Asian cooperation. It receives government and private sector contributions. Government funds for the Foundation are appropriated and pass through the Department of State. The FY2007 request of \$10 million reflected a 27.5% reduction over the FY2006 enacted funding level of \$13.8 million. The organization stated that the \$10 million would support programs that promote tolerance within Muslim minority/majority countries such as Pakistan, Afghanistan, Nepal, and Cambodia; promote free and fair elections in Asia; and develop democratic institutions for legal reform in China, Vietnam, Indonesia, and Thailand. The Asia Foundation had said it would continue to seek private funds and expected to raise \$4 million in private funds for FY2007. The House bill set funding at \$13.8 million, and the Senate Committee recommended \$14.0 million for the Asia Foundation in FY2007. The enacted level for the Asia Foundation for FY2007 is the same as the FY2006 level of \$13.8 million.

National Endowment for Democracy (NED)

The National Endowment for Democracy is a private, nonprofit organization established during the Reagan Administration that supports programs to strengthen democratic institutions in more than 80 countries around the world. NED proponents assert that many of its accomplishments are possible because it is not a U.S. government agency. NED's critics claim that it duplicates government democracy promotion programs and could be eliminated, or could be operated entirely through private sector funding. The FY2007 request was for \$80 million, the same level as was requested for FY2005 and FY2006, and 8% higher than the final enacted level for FY2006 of \$74.1 million, including rescissions. The House-passed NED funding level was \$50 million for FY2007. The Senate Appropriations Committee recommended \$8.8 million, as the Committee recommended more than \$1 billion for the Democracy Fund elsewhere in the bill. The enacted FY2007 level is \$74 million.

East-West and North-South Centers

The Center for Cultural and Technical Interchange between East and West (East-West Center), located in Honolulu, Hawaii, was established in 1960 by Congress to promote understanding and cooperation among the governments and peoples of the Asia/Pacific region and the United States. The FY2007 request for the East-West Center was \$12 million, a 36.8% decline from the FY2006 enacted level of \$19 million, after rescissions. The House level was \$3 million, while the Senate

Committee recommended significantly more—\$19 million. The FY2007 enacted funding level is \$19 million.

The Center for Cultural and Technical interchange between North and South (North-South Center) is a national educational institution in Miami, Florida, closely affiliated with the University of Miami. It promotes better relations, commerce, and understanding among the nations of North America, South America and the Caribbean. The North-South Center began receiving a direct subsidy from the federal government in 1991; however, it has not received a direct appropriation since FY2000.

The International Center for Middle Eastern-Western Dialogue Trust Fund

The conferees added language in the FY2004 conference agreement for the Consolidated Appropriations Act, FY2004, to establish a permanent trust fund for the International Center for Middle Eastern-Western Dialogue. The act provided \$6.9 million for perpetual operations of the Center which is to be located in Istanbul, Turkey. Despite the fact that the Administration did not request any FY2005 funding for this Center, Congress provided \$7.3 million for it in FY2005. The Administration requested spending \$0.8 million of interest and earnings from the Trust Fund for program funding in FY2006. Congress appropriated \$4.9 million for this account in FY2006 and \$0.9 million for the Trust. The Administration requested \$0.7 million of interest and earnings from the Trust Fund program for FY2007. The House set spending of interest and earnings at \$0.4 million, while the Senate Committee set it at \$0.75 million. The final legislation (P.L. 110-5) set spending for the program at \$0.9 million.

International Broadcasting

International Broadcasting, which had been a primary function of the U.S. Information Agency (USIA) prior to 1999, now falls under an independent agency referred to as the Broadcasting Board of Governors (BBG). The BBG includes the Voice of America (VOA), Radio Free Europe/Radio Liberty (RFE/RL), Cuba Broadcasting, Radio Sawa, Radio Farda, and Radio Free Asia (RFA). In addition to the ongoing international broadcasting activities, the Administration initiated a new U.S. Middle East Television Network—Alhurra.

The BBG's FY2007 funding request totaled \$671.9 million, 4.3% above the FY2006 level of \$644 million, after rescissions. The FY2007 broadcasting request included \$653.6 million for broadcasting operations, \$18.3 million for capital improvements, and \$36.3 million for Broadcasting to Cuba. The House passed funding at \$651.3 million for broadcasting operations (including \$36.1 million for Cuba Broadcasting) and \$7.6 million for capital improvements for a total of \$658.9 million for international broadcasting. The Senate Appropriations Committee recommended \$653.6 million (including \$36.3 million for Cuba Broadcasting) for broadcasting operations and \$7.6 million for capital improvements for a total of \$661.2 million. The enacted FY2007 funding for international broadcasting in FY2007 totals \$644 million—\$636 million for broadcasting operations and \$8 million for capital improvements.

FY2006 Emergency Supplemental²⁹

On February 16, 2006, the Administration submitted an emergency FY2006 supplemental appropriations request totaling \$92.2 billion for additional funding for ongoing military

²⁹ For a complete discussion of the supplemental request and congressional action, see CRS Report RL33298, *FY2006 Supplemental Appropriations: Iraq and Other International Activities; Additional Hurricane Katrina Relief*, by Paul M. Irwin et al.

operations in Iraq and Afghanistan (\$67.9 billion), State Department operations in Iraq and various foreign aid programs, including assistance for Iraq (\$4.2 billion), and for recovery and reconstruction efforts in the hurricane-affected Gulf Coast areas (\$19.8 billion).

The supplemental proposal for international matters covered a range of activities that were not addressed in the regular FY2006 appropriations, addressed circumstances that had changed since passage of the regular spending measures, or, like military operations in Iraq and Afghanistan, had been funded largely through supplementals rather than incorporated into the base of annual, on-going diplomatic and aid operations. The request of \$1.6 billion in Iraq stabilization assistance was the first sizable aid package for Baghdad since Congress approved \$18.45 billion in the FY2004 emergency supplemental measure. Other foreign policy elements included funding for U.S. diplomatic costs in Iraq and Afghanistan, reconstruction aid for Afghanistan, democracy promotion programs for Iran, Darfur humanitarian relief and peace implementation aid in Sudan, Pakistan earthquake reconstruction, Liberia refugee repatriation, and food aid for Africa (see **Table 11** for detailed funding levels).

Congressional Action

The conference agreement to H.R. 4939 (P.L. 109-234) provided \$4.254 billion in international affairs spending, including both State Department operations in Iraq, and foreign assistance to Iraq, Afghanistan, Sudan and a number of other countries. The foreign aid portion totaled \$2.326 billion, or \$100 million above the President's request.

Items included in the conference agreement that were not part of the President's request included assistance for Liberia; Haiti; Congo; Jordan; Colombia; drought relief for the Horn of Africa; hurricane relief for Guatemala; assistance for refugees from Burma and other refugee situations; and increases over the President's request for Sudan and Darfur.

Table 11. State Department and Foreign Aid Funds in FY2006 Supplemental
(in millions of current \$s)

Activity*	Request	House	Senate	Conf.
Iraq:^a				
U.S. mission operations	\$1,097.5	\$1,116.1	\$1,037.5	\$1,097.5
Provincial reconstruction teams support	\$400.0	\$208.0	\$300.0	\$229.8
Special Inspector General & State IG ^b	\$25.3	\$25.3	\$25.3	\$25.3
USAID security and operations	\$119.6	\$61.6	\$119.6	\$101.0 ^c
US Peace Institute	\$0.0	\$1.3	\$0.0	[\$1.0]
Subtotal, Iraq mission security and support	\$1,642.4	\$1,412.3	\$1,482.4	\$1,453.6
Provincial reconstruction teams/employment ^d	\$675.0	\$675.0	\$675.0	\$1,485.0 ^e
Infrastructure security	\$287.0	\$287.0	\$287.0	^e
Infrastructure sustainment	\$355.0	\$355.0	\$355.0	^e
Nat'l capacity building—democracy & rule of law ^d	\$172.0	\$172.0	\$172.0	^e
Prison construction/Protection of judges	\$107.7	\$81.4	\$104.4	\$91.4
Financial integration & security promotion	\$13.0	\$13.0	\$13.0	\$13.0
Subtotal, Iraq stabilization assistance	\$1,609.7	\$1,583.4	\$1,606.4	\$1,589.4
Total, Iraq	\$3,252.1	\$2,995.7	\$3,088.8	\$3,043.0

Activity*	Request	House	Senate	Conf.
Afghanistan:^f				
U.S. mission security	\$50.1	\$50.1	\$50.1	\$50.1
USAID security	\$16.0	\$0.0	\$16.0	^c
Subtotal, Afghanistan mission security	\$66.1	\$50.1	\$66.1	\$50.1
Power sector projects	\$32.0	\$5.0	\$32.0	\$32.0
Debt cancellation	\$11.0	\$0.0	\$11.0	\$11.0
Afghan refugees returning from Pakistan	\$3.4	\$3.4	\$7.4	\$3.4
Subtotal, Afghanistan assistance	\$46.4	\$8.4	\$50.4	\$46.4
Total, Afghanistan	\$112.5	\$58.5	\$116.5	\$96.5
Iran:				
Public diplomacy/independent TV & radio	\$5.0	\$5.0	\$5.0	\$5.0
Iranian student fellowships/visitor programs	\$5.0	\$5.0	\$5.0	\$5.0
Broadcasting	\$50.0	\$36.1	\$30.3	\$36.1
Democracy programs	\$15.0	\$10.0	\$34.8	\$20.0
Total, Iran	\$75.0	\$56.1	\$75.1	\$66.1
Sudan/Darfur:				
USAID mission in Juba	\$6.0	\$0.0	\$6.0	^c
Refugees returning to southern Sudan	\$12.3	\$12.3	\$12.3	\$12.3
Food aid for southern Sudan	\$75.0	\$75.0	\$75.0	\$75.0
U.N. peacekeeping mission in Southern Sudan	\$31.7	\$31.7	\$31.7	\$31.7
Subtotal, southern Sudan	\$125.0	\$119.0	\$125.0	\$119.0
Humanitarian relief in Darfur	\$66.3	\$66.3	\$66.3	\$66.3
Refugees/conflict victims in Darfur & Chad	\$11.7	\$11.7	\$11.7	\$11.7
Food aid for Darfur	\$150.0	\$150.0	\$150.0	\$150.0
African Union peacekeeping mission, Darfur	\$123.0	\$173.0	\$173.0	\$173.0
UN peacekeeping mission in Darfur	\$38.1	\$98.1	\$98.1	\$98.1
Subtotal, Darfur	\$389.1	\$499.1	\$499.1	\$499.1
Total, Sudan/Darfur	\$514.1	\$618.1	\$624.1	\$618.1
Liberia:				
Refugee repatriation	\$13.8	\$13.8	\$13.8	\$13.8
Economic aid	\$0.0	\$50.0	\$50.0	\$50.0
Total, Liberia	\$13.8	\$63.8	\$63.8	\$63.8

Activity*	Request	House	Senate	Conf.
Other Refugee Aid ^g	\$0.0	\$0.0	\$62.5	\$17.5
Haiti	\$0.0	\$0.0	\$40.0	\$20.0
Congo, Democratic Republic of	\$0.0	\$0.0	\$13.2	\$7.5
Jordan	\$0.0	\$0.0	\$100.0	\$50.0
Pakistan earthquake reconstruction^h	\$126.3	\$126.3	\$126.3	\$126.3
Food aid, East and Central Africa	\$125.0	\$125.0	\$125.0	\$125.0
Drought relief for West/Horn of Africa	\$0.0	\$0.0	\$35.0	\$25.0
Food aid for refugees through WFP	\$10.0	\$10.0	\$20.0	\$12.0
Colombia	\$0.0	\$26.3	\$5.8	\$16.3
Hurricane Stan relief for Guatemala	\$0.0	\$0.0	\$12.0	\$6.0
Burma refugees	\$0.0	\$0.0	\$0.0	\$5.0
Rescission of prior aid to Egypt	\$0.0	\$0.0	(\$47.0)	\$0.0
Rescission (House = Peacekeeping funds; Senate = Export-Import Bank)	\$0.0	(\$17.0)	(\$13.2)	(\$44.0)
TOTAL, State Dept. & Foreign Aid Funds	\$4,228.8	\$4,062.8	\$4,447.9	\$4,254.1

Source: Department of State and CRS calculations based on H.Rept. 109-388 and S.Rept. 109-230, with modifications to reflect House and Senate floor amendments.

- a. In addition to these figures for Iraq, the Defense Department portion of the supplemental includes \$3.7 billion for training and equipping Iraq security forces. The FBI also seeks \$32.5 million for operations and support in Iraq and Afghanistan, the Department of Justice's United States Attorneys Office and the U.S. Marshals Service requests \$5.5 million in legal support for Iraq's criminal justice system, the Bureau for Alcohol, Tobacco, Firearms, and Explosives proposes \$5 million for firearms trafficking, explosives, and arson operations in Iraq, and the Treasury Department seeks \$1.8 million for its participation in the Iraq Finance Cell and to place a Deputy Treasury Attache in Iraq.
- b. Of the \$25.3 million request, \$1.3 million supports the work of the State Department's IG in Iraq and Afghanistan.
- c. The conference agreement combines amounts for USAID OE expenses in Iraq, Afghanistan, and Sudan without specifying a total for each mission. The \$101 million figure for Iraq includes amounts for Afghanistan and Sudan.

- d. In addition to new appropriations for these activities, the House bill directs that funds be transferred from previous Iraq Relief and Reconstruction Fund (IRRF) appropriations for Provincial Reconstruction Teams (\$152 million) and for democracy and rule of law programs (\$33.5 million). These amounts are the same as what the Administration had planned to spend for these activities out of the IRRF account. The Senate bill directs that \$104.5 million of ESF for Iraq should be available for broad-based democracy programs in Iraq.
- e. The \$1.485 billion ESF total for Iraq includes funding for all Iraq stabilization ESF activities.
- f. In addition to these figures for Afghanistan, the Defense Department portion of the supplemental includes \$2.2 billion for training and equipping Afghan security forces and \$192.8 million for counter-drug activities in Afghanistan and the Central Asia area.
- g. The Senate adds \$42.5 million in refugee funds that include Somalia \$3 million; Horn and W. Africa \$10 million; Congo \$15 million; UNCHR \$4 million; North Caucasus \$2.5 million; North Asia \$3 million; and Burma \$5 million. In addition, the Senate bill provides \$20 million for Emergency Refugee and Migration Assistance for the Horn of Africa.
- h. Funds would reimburse several USAID accounts—Development Aid, Child Survival, International Disaster & Famine Assistance, and ESF—for previously reprogrammed money, plus support ongoing reconstruction projects.

For Additional Reading

Overview

CRS Report 98-916, *Foreign Aid: An Introductory Overview of U.S. Programs and Policy*, by Curt Tarnoff and Larry Nowels.

CRS Report RL33470, *Science, State, Justice, Commerce and Related Agencies (House)/Commerce, Justice, Science and Related Agencies (Senate): FY2007 Appropriations*, by Susan B. Epstein et al.

CRS Report RL33298, *FY2006 Supplemental Appropriations: Iraq and Other International Activities; Additional Hurricane Katrina Relief*, by Paul M. Irwin et al.

Foreign Operations Programs

CRS Report RL33073, *Debt Relief for Heavily Indebted Poor Countries: Issues for Congress*, by Martin A. Weiss.

CRS Report RS22032, *Foreign Aid: Understanding Data Used to Compare Donors*, by Larry Nowels.

CRS Report RL33262, *Foreign Policy Budget Trends: A Thirty-Year Review*, by Larry Nowels.

CRS Report RL31712, *The Global Fund to Fight AIDS, Tuberculosis, and Malaria: Background*, by Tiaji Salaam-Blyther.

CRS Report RL32773, *The Global Peace Operations Initiative: Background and Issues for Congress*, by Nina M. Serafino.

CRS Report RL33485, *U.S. International HIV/AIDS, Tuberculosis, and Malaria Spending: FY2004-FY2008*, by Tiaji Salaam-Blyther.

CRS Report RL33349, *International Efforts to Control the Spread of the Avian Influenza (H5N1) Virus: Affected Countries' Responses*, by Emma Chanlett-Avery et al.

CRS Report RL33250, *International Population Assistance and Family Planning Programs: Issues for Congress*, by Luisa Blanchfield.

CRS Report RL30932, *Microenterprise and U.S. Foreign Assistance*, by Curt Tarnoff.

CRS Report RL32427, *Millennium Challenge Account*, by Curt Tarnoff.

CRS Report RS21168, *The Peace Corps: Current Issues*, by Curt Tarnoff.

CRS Report RL32862, *Peacekeeping/Stabilization and Conflict Transitions: Background and Congressional Action on the Civilian Response/Reserve Corps and other Civilian Stabilization and Reconstruction Capabilities*, by Nina M. Serafino.

CRS Report RL33491, *Restructuring U.S. Foreign Aid: The Role of the Director of Foreign Assistance in Transformational Development*, by Connie Veillette.

CRS Report RL33219, *U.S. and International Responses to the Global Spread of Avian Flu: Issues for Congress*, by Tiaji Salaam-Blyther.

State Department/Broadcasting Programs

CRS Report RL31370, *State Department and Related Agencies: FY2006 and FY2007 Appropriations and FY2008 Request*, by Susan B. Epstein.

CRS Report RL33611, *United Nations System Funding: Congressional Issues*, by Marjorie Ann Browne and Kennon H. Nakamura.

CRS Report RS21867, *U.S. Embassy in Iraq*, by Susan B. Epstein.

CRS Report RL32607, *U.S. Public Diplomacy: Background and the 9/11 Commission Recommendations*, by Susan B. Epstein.

Country and Regional Issues

Africa

CRS Report RL32489, *Africa: Development Issues and Policy Options*, by Raymond W. Copson.

CRS Report RL33591, *Africa: U.S. Foreign Assistance Issues*, by Ted Dagne.

CRS Report RL33584, *AIDS in Africa*, by Nicolas Cook.

CRS Report RL33574, *Sudan: The Crisis in Darfur and Status of the North-South Peace Agreement*, by Ted Dagne.

East Asia/Pacific

CRS Report RL33316, *U.S.-Vietnam Relations in 2008: Background and Issues for Congress*, by Mark E. Manyin.

CRS Report RS21834, *U.S. Assistance to North Korea: Fact Sheet*, by Mark Manyin.

CRS Report RL31362, *U.S. Foreign Aid to East and South Asia: Selected Recipients*, by Thomas Lum.

Europe and Eurasia

CRS Report RS21686, *Conditions on U.S. Aid to Serbia*, by Steven Woehrel.

CRS Report RL32866, *U.S. Assistance to the Former Soviet Union*, by Curt Tarnoff.

Latin America/Caribbean

CRS Report RL32001, *HIV/AIDS in the Caribbean and Central America*, by Mark P. Sullivan.

CRS Report RL33337, *Article 98 Agreements and Sanctions on U.S. Foreign Aid to Latin America*, by Clare Ribando Seelke.

CRS Report RL32487, *U.S. Foreign Assistance to Latin America and the Caribbean*, by Connie Veillette, Clare Ribando Seelke, and Mark P. Sullivan.

Middle East

CRS Report RL33003, *Egypt: Background and U.S. Relations*, by Jeremy M. Sharp.

CRS Report RL33376, *Iraq's Debt Relief: Procedure and Potential Implications for International Debt Relief*, by Martin A. Weiss.

CRS Report RL31833, *Iraq: Reconstruction Assistance*, by Curt Tarnoff.

CRS Report RL31766, *Iraq: United Nations and Humanitarian Aid Organizations*, by Thomas Coipuram Jr.

CRS Report RL33546, *Jordan: Background and U.S. Relations*, by Jeremy M. Sharp.

CRS Report RL33222, *U.S. Foreign Aid to Israel*, by Jeremy M. Sharp.

CRS Report RS22370, *U.S. Foreign Aid to the Palestinians*, by Paul Morro.

CRS Report RL32260, *U.S. Foreign Assistance to the Middle East: Historical Background, Recent Trends, and the FY2009 Request*, by Jeremy M. Sharp.

South Asia

CRS Report RL30588, *Afghanistan: Post-Taliban Governance, Security, and U.S. Policy*, by Kenneth Katzman.

CRS Report RL33498, *Pakistan-U.S. Relations*, by K. Alan Kronstadt.

CRS Report RL33227, *U.S. Assistance to Women in Afghanistan and Iraq: Challenges and Issues for Congress*, by Rhoda Margesson and Daniel Kronenfeld.

CRS Report RL31362, *U.S. Foreign Aid to East and South Asia: Selected Recipients*, by Thomas Lum.

Selected Websites

Global Fund to Fight AIDS, Tuberculosis, and Malaria

<http://www.theglobalfund.org/en/>

Millennium Challenge Corporation—<http://www.mcc.gov>

Peace Corps—<http://www.peacecorps.gov/>

Trade and Development Agency—<http://www.tda.gov/>

U.S. Agency for International Development—Congressional Budget Justification

<http://www.usaid.gov/policy/budget/>

U.S. Agency for International Development—Emergency Situation Reports

http://www.usaid.gov/our_work/humanitarian_assistance/disaster_assistance/countries/fy2003_index.html

U.S. Department of State—Foreign Operations Budget Justification, FY2007

<http://www.state.gov/m/rm/rls/cbj/2007/>

U.S. Department of State—International Affairs Budget Request, FY2007

<http://www.state.gov/m/rm/rls/iab/2007/>

U.S. Department of State—State Department Budget Request, FY2007

<http://www.state.gov/m/rm/rls/bib/2007/>

Table 12. Foreign Operations: Detailed Account Funding Levels

(in millions of current \$—discretionary budget authority)

Program	FY2005 Total ^a	FY2006 Regular ^b	FY2006 Supp ^c	FY2006 Total	FY2007 Request	FY2007 House	FY2007 ^f Senate Cmte	FY2007 Enacted
Title I - Export and Investment Assistance:								
Export-Import Bank	98.9	138.8	(62.0)	76.8	57.6	51.6	51.6	55.0
Overseas Private Investment Corp.	(211.6)	(178.1)	—	(178.1)	(192.5)	(193.5)	(193.5)	(196.0)
Trade and Development Agency	51.1	50.4	—	50.4	50.3	50.3	50.3	50.3
Total, Title I - Export Aid	(61.6)	11.1	(62.0)	(50.9)	(84.6)	(91.6)	(91.6)	(90.7)
Title II - Bilateral Economic:								
Development Assistance:								
Child Survival & Health (CS/H)	1,537.6	1,569.2	83.0	1,652.2	1,433.0	1,575.6	1,899.8	1,718.2
Global AIDS Initiative	1,373.9	1,975.1	—	1,975.1	2,894.0	2,772.5	2,894.0	3,246.5
Development Assistance Fund (DA)	1,448.3	1,508.8	16.5	1,525.3	1,282.0	1,294.0	1,400.0	1,508.8
Trade Capacity Enhancement Fund ^d	—	—	—	—	—	522.0	0.0	0.0
Transition Initiatives	48.6	39.6	—	39.6	50.0	40.0	35.0	39.6
Subtotal, CS/H, AIDS, TI, DA, & Trade Capacity	4,408.4	5,092.7	99.5	5,192.2	5,659.0	6,204.1	6,228.8	6,513.1
Intl Disaster & Famine Aid	574.9	361.4	217.6	579.0	348.8	348.8	350.7	361.4
Tsunami Recovery and Reconstruction Fund	656.0	—	—	0.0	—	—	—	—
Development Credit Programs	8.0	7.9	—	7.9	13.4	8.4	8.4	8.4
Subtotal, Development Aid	5,647.3	5,462.0	317.1	5,779.1	6,021.2	6,561.3	6,587.9	6,882.9
USAID Operating Expenses	637.5	623.7	101.0	724.7	678.8	641.0	630.0	623.7
USAID Inspector General	37.2	35.6	—	35.6	38.0	39.0	38.0	35.6
USAID Capital Investment Fund	58.5	69.3	—	69.3	131.8	105.3	95.0	69.3
Subtotal, Development Aid & USAID	6,380.5	6,190.6	418.1	6,608.7	6,869.8	7,346.6	7,350.9	7,611.5
Economic Support Fund (ESF)	3,896.2	2,607.7	1,686.0	4,293.7	3,214.5	2,652.7	2,227.1	2,455.0
ESF Rescission	—	—	(47.0)	(47.0)	—	(200.0)	(375.0)	(200.0)

Program	FY2005 Total ^a	FY2006 Regular ^b	FY2006 Supp ^c	FY2006 Total	FY2007 Request	FY2007 House	FY2007 ^f Senate Cmte	FY2007 Enacted
Economic Support Fund rescission—Turkey	(1,000.0)	—	—	—	—	—	—	—
International Fund for Ireland	18.4	13.4	—	13.4		10.8	0.0	13.0
Eastern Europe/Baltic States	393.4	357.4	—	357.4	273.9	227.9	211.1	273.9
Former Soviet Union	625.5	508.9	—	508.9	441.0	371.3	293.1	452.0
Conflict Response Fund	—	—	—	—	75.0	0.0	0.0	0.0
Inter-American Foundation	17.9	19.3	—	19.3	19.3	19.3	19.3	19.3
African Development Foundation	18.8	22.8	—	22.8	22.7	22.7	26.0	22.8
Peace Corps	317.4	318.8	1.1	319.9	336.7	324.6	318.8	318.8
Millennium Challenge Corporation	1,488.0	1,752.3	—	1,752.3	3,000.0	2,000.0	1,877.0	1,752.3
Democracy Fund	—	94.1	22.5	116.6	0.0	0.0	1,064.4	94.1
Intl Narcotics/Law Enforcement	946.2	472.4	107.7	580.1	795.5	703.6	712.5	472.4
Intl Narcotics—Andean Initiative	725.2	727.2	—	727.2	721.5	506.9	699.4	721.5
Migration & Refugee Assistance	884.2	783.1	75.7	858.8	832.9	750.2	832.9	832.9
Emergency Refugee Fund (ERMA)	29.8	29.7	—	29.7	55.0	30.0	55.0	55.0
Non-Proliferation/anti-terrorism/demining	423.4	406.0	—	406.0	449.4	430.0	449.4	406.0
Treasury Dept. Technical Assistance	18.8	19.8	13.0	32.8	23.7	23.7	23.7	19.8
Debt reduction	99.2	64.4	—	64.4	182.8	20.0	21.0	64.4
Total Title II-Bilateral Economic	15,282.9	14,387.9	2,277.1	16,665.0	17,313.7	15,240.3	15,806.6	15,384.7
Title III - Military Assistance:								
Intl Military Education & Training	89.0	85.9	—	85.9	88.9	88.0	88.9	85.9
Foreign Mil Financing (FMF)	4,995.2	4,455.0	—	4,455.0	4,550.9	4,454.9	4,667.8	4,550.8
Security in Asia (additional FMF for the Philippines)	—	9.9	—	9.9	0.0	0.0	0.0	0.0
Peacekeeping Operations	417.6	173.3	178.0	351.3	200.5	170.0	97.9	223.3
Peacekeeping Rescission	—	—	(7.0)	(7.0)	—	—	—	—
Total, Title III-Military Aid	5,501.8	4,724.1	171.0	4,888.1	4,840.3	4,712.9	4,854.6	4,860.0

Program	FY2005 Total ^a	FY2006 Regular ^b	FY2006 Supp ^c	FY2006 Total	FY2007 Request	FY2007 House	FY2007 ^f Senate Cmte	FY2007 Enacted
Title IV - Multilateral Economic Aid:								
World Bank - Intl Development Assn	843.2	940.5	—	940.5	950.0	950.0	950.0	940.5
IDA Rescission	—	—	—	—	—	(188.1)	—	(31.4)
World Bank Environment Facility	106.6	79.2	—	79.2	56.3	56.3	80.0	79.2
World Bank-Mult Investment Guaranty Agency	—	1.3	—	1.3	0.0	0.0	0.0	0.0
Inter-American Development Bank	10.9	1.7	—	1.7	25.0	23.0	15.0	1.7
Inter-American Investment Corporation	—	1.7	—	1.7	0.0	0.0	0.0	0.0
Asian Development Fund	99.2	99.0	—	99.0	139.0	110.3	57.6	99.0
African Development Fund	105.2	134.3	—	134.3	135.7	135.7	135.7	134.3
African Development Bank	4.1	3.6	—	3.6	5.0	5.0	5.0	3.6
European Bank for R & D	35.1	1.0	—	1.0	0.0	0.0	0.0	0.0
Intl Fund for Agriculture Development	14.9	14.9	—	14.9	18.0	18.0	18.0	14.9
Intl Organizations & Programs	325.8	326.2	—	326.2	289.0	327.6	306.1	326.2
Total, Title IV - Multilateral	1,545.0	1,603.4	0.0	1,603.4	1,618.0	1,437.8	1,567.4	1,568.0
Across-Board Reductions	—	—	—	—	—	—	(348.8)^e	—
Total, Foreign Operations	22,268.1	20,726.5	2,386.1	23,105.6	23,687.4	21,299.4	21,788.2	21,722.0

Sources: House and Senate Appropriations Committee and CRS adjustments. **Table 12** does not include mandatory payments to the Foreign Service Retirement Fund worth \$38.7 million. It should also be noted that because the House and Senate restructured some accounts, comparing the two bills by account is problematic. The structure adopted here is to use the Administration's account structure as the basis of comparison.

- FY2005 includes "regular" and supplemental appropriations.
- Amounts shown in this column are FY2006 "regular" appropriations provided in P.L. 109-102, Title III, Chapter 8 of P.L. 108-148, the FY2006 DOD Appropriations, required a 1% across-the-board rescission for each account. Amounts are adjusted to reflect the required reduction for each account.
- This column includes amounts provided in the FY2006 supplemental appropriations (H.R. 4939), and amounts enacted in Division B of P.L. 109-148, the FY2006 DOD Appropriations. Division B included emergency supplemental appropriations for Avian Influenza and a rescission for the Export-Import Bank.
- The Trade Capacity Enhancement Fund is a new account recommended by the House Foreign Operations Subcommittee. It does not add new money, but consolidates previous funding for trade capacity building that has been included in the DA, ESF, and other Foreign Operations accounts.
- The Senate reduced the total amounts appropriated in the bill for Title I and Title III by \$348.8 million to reflect unobligated balances. OMB is directed to allocate the reduction proportionately to each program, project, and activity in the affected accounts.

Table 13. State Department/Broadcasting: Detailed Account Funding Levels

(in millions of current \$s—discretionary budget authority)

Program	FY2005 Total	FY2006 Regular	FY2006 Supp.	FY2006 Total	FY2007 Request	FY2007 House	FY2007 ^a Senate Cmte	FY2007 Enacted
Administration of Foreign Affairs:								
Diplomatic and Consular Program	4,906.2	4,319.7	1,383.6	5,703.3	4,651.9	4,460.1	4,495.1	4,314.0
<i>[Public Diplomacy]</i>	<i>[\$320.0]</i>	<i>[\$329.7]</i>	—	<i>[\$329.7]</i>	<i>[\$351.0]</i>	<i>[\$351.0]</i>		
<i>[Worldwide Security Upgrades]</i>	<i>[\$649.9]</i>	<i>[\$680.7]</i>	—	<i>[\$680.7]</i>	<i>[\$795.2]</i>	<i>[795.2]</i>	<i>[795.2]</i>	<i>(766.0)</i>
Educational & Cultural Exchanges	355.9	426.3	5.0	431.3	474.3	436.3	445.5	445.3
Office of Inspector General	30.0	29.6	25.3	54.9	32.5	32.5	32.5	30.0
Representation Allowances	8.5	8.2	—	8.2	8.2	8.2	8.2	8.2
Protection of Foreign Missions & Officials	9.7	9.3	—	9.3	9.3	9.3	9.3	9.3
Embassy Security-Ongoing Ops & Non-Security Construction	1,195.5	571.1	—	571.1	640.1	605.7	1,388.8 ^b	593.0
Embassy Security-Worldwide Security Upgrades	900.1	898.6	—	898.6	899.4	899.4		897.0
Emergencies in the Diplomatic & Consular Service	1.0	24.9	—	24.9	4.9	4.9	4.9	4.9
Repatriation Loans	1.2	1.3	—	1.3	1.3	1.3	1.3	1.3
Payment to the American Institute in Taiwan	19.2	19.5	—	19.5	15.8	15.8	15.8	15.8
Capital Investment Fund	51.5	58.1	—	58.1	68.3	58.1	58.1	58.1
Centralized IT Modernization Program	76.8	68.5	—	68.5	0.0	0.0	0.0	0.0
Total, Administration of Foreign Affairs	7,555.6	6,435.1	1,413.9	7,849.0	6,806.0	6,531.6	6,459.5	6,376.9
International Organizations and Conferences:								
Contributions to International Organizations	1,166.2	1,151.3	—	1,151.3	1,268.5	1,122.3	1,151.3	1,151.3
Contributions to International Peacekeeping	1,163.5	1,022.3	129.8	1,152.1	1,135.3	1,135.3	1,135.3	1,135.3
Total, International Organizations and Conferences	2,329.7	2,173.6	129.8	2,303.4	2,403.8	2,257.6	2,286.6	2,286.6
International Commissions	63.3	66.5	—	66.5	63.9	67.9	67.4	67.0
Related Appropriations:								
International Center for Middle Eastern-Western Dialogue	7.3	5.8	—	5.8	0.7	0.8	0.8	0.9
Asia Foundation	12.8	13.8	—	13.8	10.0	13.8	14.0	13.8

Program	FY2005 Total	FY2006 Regular	FY2006 Supp.	FY2006 Total	FY2007 Request	FY2007 House	FY2007 ^a Senate	FY2007 Enacted
							Cmte	
National Endowment for Democracy	59.2	74.1	—	74.1	80.0	50.0	8.8	74.0
East-West Center	19.2	19.0	—	19.0	12.0	3.0	19.0	19.0
Eisenhower Exchange	0.5	0.5	—	0.5	0.5	0.5	0.5	0.5
Israeli Arab Scholarship	0.4	0.4	—	0.4	0.4	0.4	0.4	0.4
Total, Related Appropriations	99.4	113.6	0.0	113.6	103.6	68.5	43.5	108.6
TOTAL, STATE DEPARTMENT	10,048.0	8,788.8	1,543.7	10,332.5	9,377.3	8,925.6	8,857.0	8,839.1
International Broadcasting:								
Capital Improvements	10.9	10.8	25.8	36.6	18.3	7.6	7.6	8.0
Broadcasting Operations	587.9	633.2	10.3	643.5	653.6	646.3	653.6	636.0
Broadcasting to Cuba	c	c	—	c	c	c	c	
Total, International Broadcasting	598.8	644.0	36.1	680.1	671.9	653.9	661.2	644.0
TOTAL, STATE DEPT./INT'L BROADCASTING	10,646.8	9,432.8	1,579.8	11,012.6	10,049.2	9,579.5	9,518.2	9,483.1
Commissions and Other:								
Comm. for the Preservation of America's Heritage Abroad	0.5	0.5	—	0.5	0.5	0.5	0.5	d
Commission on International Religious Freedom	3.0	3.2	—	3.2	3.0	3.0	3.0	3.0
Commission on Security and Cooperation in Europe	1.8	2.0	—	2.0	2.1	2.1	2.1	4.0
Cong-Executive Comm. on the People's Republic of China	1.9	1.9	—	1.9	2.0	2.0	2.0	0.0
HELP Commission	1.0	0.0	—	0.0	—	1.3	0.3	0.0
U.S.-China Economic & Security Review Commission	3.0	3.0	—	3.0	4.0	4.0	3.0	3.0
U.S. Senate-China Interparliamentary Group	0.1	0.1	—	0.1	—	—	0.2	d
United States Institute for Peace	121.9	22.1	—	22.1	27.0	27.0	22.0	22.0
Total, Commissions and Other	133.2	32.8	—	32.8	38.6	39.9	33.1	32.0
Grand Total	10,780.0	9,465.6	1,579.8	11,045.4	10,087.8	9,619.4	9,551.3	9,515.1

Sources: House and Senate Appropriations Committee and CRS adjustments. **Table 13** does not include mandatory payments to the Foreign Service Retirement and Disability fund of \$125 million, and the Repatriation Loan Program, worth \$1.3 million. It should also be noted that because the House and Senate restructured some accounts, comparing the two bills by account is problematic. The structure adopted here is to use the Administration's account structure as the basis of comparison.

Note: This table reflects the Senate structure of the State, Foreign Operations Appropriations bill and is not identical to the State Department and Related Programs title in the House SSJC bill. The Senate measure includes the U.S. Institute of Peace and several foreign policy-related commissions while the House SSJC bill funds these programs in separate titles from the State Department and Related Programs.

- a. The Senate reduced the total amounts appropriated in the bill for Title I and Title III by \$348.8 million to reflect unobligated balances. OMB is directed to allocate the reduction proportionately to each program, project, and activity in the affected accounts.
- b. Initial information from the Senate Committee provides an overall figure for embassy security and upgrades.
- c. Included in Broadcasting Operations.
- d. not available.

Author Information

Susan B. Epstein
Specialist in Foreign Policy

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.